Weekend FT

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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND MARCH 27/MARCH 28 1993

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Serbs agree to Bosnian ceasefire from Sunday

The Bosnian Serb and UN military commanders agreed on a ceasefire in Bosnia's 11-month civil war, to take effect at noon tomorrow.

While the pact was being viewed with caution by observers – neither the Moslems nor Croats had yet subscribed to it – it was considered of more than usual significance because the talks had taken place under the aegis of President Slobodan Milosevic of Serbia. Page 3

Peace moves by French right: Edouard Balladur, the senior Gaullist politician who is front-runner to become French prime minister next week, moved to soothe tensions between the right-wing winners of the general election and François Mitterrand, the isolated Socialist president. Page 26

Blue Circle plans Channel rail station: Blue Circle Industries is proposing to build a privately financed £500m international railway station for the planned Channel tunnel link near Dartford in north-west Kent. Page 26

Sterling rises against D-Mark: Sterling rose strongly against the D-Mark and the dollar amid further signs of recovery in the UK economy and speculation that the Bundesbank might ease interest rates next week. Currencies, Page 15

Venezuelan $3bn gas project: A $3bn (£2.1bn) gas project in eastern Venezuela has been agreed by Royal Dutch Shell and Exxon in a joint venture with Japan's Mitsubishi and Venezuela's national oil company. Page 26

Equities fail to keep early gains:

Post-Budget confidence began to wear thin on the UK securities markets as government bonds faced a further sell-off while equities found the FT-SE 2,950 mark under increasing pressure. The final reading for the two week equity trading account left the FT-SE Index at 2,852.9, just 0.1 up on the day. Page 15; Lex, Page 26

BA prompts new air fares war: British Airways cut its lowest return fare to the US east coast by £70 to £259 for travel between April 1 and June 15. The new fares and conditions were responded to promptly by US carriers United Airlines, American Airlines and Continental, and UK carrier Virgin Atlantic. Page 7

US to raise foreign companies tax: Foreign companies are preparing for further US efforts to extract more tax from them after a renewed action in the Senate this week. Page 2

Johnathan Ball funeral: The funeral was held of the three-year-old killed by IRA bomb blasts on Saturday in Warrington. IRA bombs bring public revulsion, Page 5

FT man joins IHT: Richard McClean, who retires as deputy chief executive of the Financial Times this summer, has been appointed publisher and chief executive of the International Herald Tribune in Paris from July. Mr McClean, 55, has been at the FT for 38 years.

Record sale for Budget FT: The FT achieved a record UK sale with its Budget edition on March 17. The total of 269,323 compares with 256,982 for the 1992 Budget and represents an increase of over 91,000 on the FT's normal midweek sale.

Clocks change: Clocks in the UK and continental Europe go forward for summer time by one hour at 0100 GMT tomorrow. In North America, daylight saving time, where observed, begins one week later.

Spring forward to summer time

STOCK MARKET INDICES

FT-SE 100:	2852.9	(+0.1)
Yield	4.28	
FT-SE Eurotrack 100	1147.31	(+14.23)
FT-A All-Share	1399.13	(-0.1%)
Nikkei	18,789.70	(+23.78)
New York lunchtime:		
Dow Jones Ind Ave	3460.51	(-10.81)
S&P Composite	449.65	(-1.83)

US LUNCHTIME RATES

Federal Funds:	3 1/8%
3-mo Treas Bills: Yld	2.982%
Long Bond	102 1/2
Yield	6.910%

LONDON MONEY

3-mo Interbank	6 1/16%	(6 3/32%)
Liffe long gilt future:	Jun 105 1/8	(Jun 105 1/2)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$18.75	(18.77)

Gold

New York Comex (Apr)	$332.5	(332.8)
London	$332.45	(332.35)

STERLING

New York lunchtime:		
$	1.489	
London:		
$	1.491	(1.474)
DM	2.43	(2.42)
FFr	8.2725	(8.225)
SFr	2.25	(2.2425)
Y	173.5	(173.0)
£ Index	79.3	(78.8)

DOLLAR

New York lunchtime:		
DM	1.633	
FFr	5.5625	
SFr	1.5115	
Y	116.5	
London:		
DM	1.6305	(1.642)
FFr	5.5475	(5.58)
SFr	1.5085	(1.522)
Y	116.35	(117.35)
$ Index	65.7	(66.1)

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IBM appoints RJR Nabisco's chief to top post

By Martin Dickson and Nikki Tait in New York, and Louise Kehoe in San Francisco

INTERNATIONAL Business Machines yesterday gave the challenge of reviving its fortunes to Mr Lou Gerstner, the chairman of food and tobacco group RJR Nabisco, by naming him as its new chief executive.

Mr Gerstner is one of America's most highly regarded managers but has no direct experience of the computer industry.

The announcement ended a high-profile, two-month search by IBM's board for a successor to Mr John Akers, the chairman and chief executive, who is retiring early because of the group's financial problems. Mr Gerstner, 51, will also become chairman.

Mr Gerstner, a former president of the American Express financial services group, was brought in as chairman and chief executive of RJR four years ago by its owners, the buy-out specialists Kohlberg, Kravis Roberts, who had just acquired the business in a ferocious $25bn (£17.60bn) takeover battle.

RJR acted quickly yesterday to dispel uncertainty about its own management, appointing Mr Karl von der Heyden, finance director, and Mr Lawrence Ricciardi, general counsel, as co-chairmen and chief executives. The two are part of the small corporate office team put together by Mr Gerstner after the buy-out, and will retain their existing financial and legal responsibilities.

Earlier in the week, there had been speculation that Mr Gerstner would take Mr von der Heyden with him to IBM. Analysts were concerned that this might trigger an internal battle between the heads of RJR Nabisco's operating units, for the chairman's job.

Analysts yesterday hailed Mr Gerstner as a tough, effective manager and good strategic thinker who could do much to slash IBM's bloated cost structure and rid the company of its slow-moving bureaucratic style.

However, some expressed concern about his lack of knowledge of computer science at a time when IBM needs to make important choices about its future technology.

Mr Gerstner, who was closely involved in the development of computer systems at American Express, said: "I don't pretend to understand all of the science underlying information technology – and you know what? – I don't think I have to."

Mr James Burke, the IBM director who led search for a new chief executive, agreed, saying that high technology knowledge was only one of 11 characteristics pin-pointed by the board as desirable. The others all related to general management skills.

Several leading high technology industry executives were

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Reprieved pits may be shut within next year

By Michael Smith

BRITISH COAL executives expect to start closing some of the 12 reprieved pits within a year even if the company secures deals to sell extra coal to the electricity generators.

They believe further pit closures and redundancies will be inevitable around April next year because of a fall in sales to generators from that month, and fear they may be forced to act sooner.

"Even if we can negotiate good supplementary deals with the generators, there are severe doubts about whether all 12 can survive a year," one executive said.

Problems will increase significantly in April 1994 because contracts about to be signed with generators include a 25 per cent sales drop from then, he said.

Similarly pessimistic views were being expressed privately yesterday by a range of senior British Coal employees. Their comments will add substance to charges by the Labour party and trade unions that the coal white paper, published on Thursday, was a short-term fix aimed solely at ending a Tory backbench revolt over earlier plans to close 31 pits.

An early test of miners' feelings will come next week after the politically moderate Union of Democratic Mineworkers decided yesterday to hold a strike ballot over the government's revised pit closure plans under which 19 of the 31 mines will either close or cease significant production.

The Labour party said yesterday that in Monday's parliamentary debate on coal it would be calling for existing volumes of production to be maintained. It will also urge that the House of Commons adopts the recent report on coal by the trade and industry select committee which called for a larger market for coal than the government has created.

The government seems certain

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■ Pit stop on the way to the market
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■ Mining equipment sector fears

to survive the vote but will face renewed criticism if, as seems likely, the negotiations between British Coal and the generators fail to secure a future beyond Christmas for all 12 reprieved pits.

The manager of one of the reprieved mines said yesterday: "There are two other mines in this area which have been reprieved. At least one of us will close within a year."

IN the next few days British Coal and the electricity generators and regional power companies are likely to sign "core contracts" involving 40m tonnes of coal for the year from April 1 and 30m in the subsequent four years.

It could take months, however, to conclude contracts for additional tonnages aimed at keeping open the 12 reprieved pits. The level of subsidies, needed to satisfy generator demands that British Coal provides coal at world prices, is to be determined and this will have a crucial effect on how much coal the generators commit themselves to.

The potential will be restricted by white paper provisions that British Coal must license to the private sector any pits it does not want. All of this could mean British Coal would have to settle for an extra 10m tonnes of sales in each of the two years the subsidies are likely to last and less still beyond that.

Increasing productivity means some of the additional coal could be mined from the 19 pits whose short-term future was always secure. "We are going to have to fight to keep more than a handful of the reprieved pits open after 1995," said one executive.

Steel crisis: 70,000 steelworkers from all over Germany stage a protest march in Bonn yesterday. They were calling on the German government to draw up a rescue strategy for the ailing steel industry, which faces large-scale job losses. Report, Page 3

Yeltsin rivals urge compromise

Congress of Peoples' Deputies horrified at prospect of impeachment

By John Lloyd in Moscow

THE MAIN opponents of Russian president Mr Boris Yeltsin yesterday proposed various forms of compromise at an extraordinary Congress of Peoples' Deputies and expressed horror at the prospect of impeaching him.

In his own speech to the Congress, more confidently delivered than most of his recent public statements, Mr Yeltsin insisted on the need for a popular vote on trust in himself and on a new draft constitution on April 25.

Pressing his case that he held the Russian people to be the "highest court", he challenged the sullen hall of deputies to put the question of trust in the Congress to the test in the same referendum. The Congress adjourned without making any decisions and is due to resume today.

In Washington yesterday, President Bill Clinton expressed hope that Russia might be moving towards resolving its crisis. "Things look pretty good today," he said, before talks with Chancellor Helmut Kohl of Germany. Mr Kohl warned that the west might have to rearm if Mr Yeltsin lost his struggle.

In Mr Yeltsin's cabinet reshuffle, three ministers lost their posts in moves which strengthen the position of Mr Boris Fyodorov, deputy prime minister for finance and the economy.

Mr Vasily Barchuk was told to vacate the finance minister's office for the Russian embassy to Norway; Mr Andrei Nechayev was relieved of the economics portfolio; and Mr Boris Saltykov, a deputy prime minister, was demoted to science minister.

Further appointments are likely to be made, according to Mr Alexander Shokhin, deputy prime minister for foreign economic affairs. These are likely to come from the so-called centre-ground of politics, and the search is on for centrists who can be bent to the will of the radicals.

The economic line of the cabinet is likely to be retained

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Two guilty in BP fraud case

By John Mason, Law Courts Correspondent

TWO businessmen who sold confidential details about tenders received by British Petroleum to steel and engineering companies competing for North Sea contracts were convicted of corruption yesterday in London.

The convictions at Southwark Crown Court mark a success for the Serious Fraud Office which brought the prosecutions as part of a wide-ranging inquiry into a number of alleged corruption cases.

Mr Josef Szrajber and Mr Paolo Sorelli were both found guilty on seven counts of conspiring to defraud BP by their use of information relating to tenders for pipes and pumping equipment. Sentencing was adjourned until April 23. Both men were remanded in custody until then.

The court heard how Mr Sorelli, an Italian businessman based in Bayswater, London, cultivated staff in BP's procurement department and paid them to pass over details of tenders received through the company's sealed-bid system. The information was passed to Mr Szrajber, a Polish businessman based in Mayfair, who sold it on to companies competing for the business.

The companies benefiting from the fraud included Thyssen, the German steelmaker, Sulzer Pumps GB and several large Japanese engineering concerns.

Both defendants had argued that their actions had not been dishonest and had been normal commercial behaviour.

After returning their verdicts, the jury heard that Mr Szrajber had earlier pleaded guilty on another corruption charge for which he had received a nine-month suspended sentence.

The trial was the first in a series being brought by the SFO. Other separate trials pending include those of four men accused of defrauding Shell UK and two others arrested in connection with contracts awarded for the Channel tunnel project.

Background, Page 7

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Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr60; China Rec 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr300; Hong Kong HK$15; Hungary Ft172; Iceland IKR180; India Rup40; Indonesia Rp6,600; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.800; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rm4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira25.00; Netherlands Fl3.75; Norway Nkr16.00; Oman OR1.50; Pakistan Rs35; Philippines Peso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep Kcs45; Spain Pta200; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

 No 32,024 Week No 12

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G7 'must give aid to Russia before referendum'

By Quentin Peel in Bonn

THE Group of Seven western industrialised nations could and should put together a package of aid measures for Mr Boris Yeltsin's Russian economic reforms before April 25, the day of his Russian referendum, according to a senior German official.

Mr Horst Köhler, the state secretary in the ministry of finance in Bonn and Chancellor Helmut Kohl's "sherpa" for the G7 world economic summit, told a Washington audience that the target was necessary to give "effective and visible support" to the Russian reform plans.

He was speaking shortly before Japan confirmed meeting of G7 foreign and finance ministers will be held in Tokyo on April 14 and 15, after the bilateral summit between President Bill Clinton and President Yeltsin in Vancouver on April 3 and 4.

Japan also announced that Mr Yeltsin will be invited to attend the G7 summit in Tokyo in July, a move immediately welcomed by other members of the group, including the UK and Germany, as a visible sign of western support for the embattled president.

Officials in Bonn believe the G7 negotiators can come up with a three part package, including a deal for extremely close co-operation and monitoring of the Russian reform programme on a weekly, if not daily basis.

The first part of the package would be the acceleration of payments from the $24bn package put together by the last G7 summit in Munich last July, relatively little of which has so far been disbursed. I

The second part will be a micro-economic package of measures designed to bring western aid directly to the Russian population.

Included are plans to develop new "pilot islands" of privatisation and reform programmes, such as Nizhni Novgorod, financed by the World Bank, and Vladimir, where Germany is involved.

The third part of the package, the officials say, would be to set up a mechanism for close co-ordination with the Russian government, through Mr Boris Fyodorov, deputy prime minister and now finance minister.

The idea is to monitor the Russian reforms as closely as a central bank might monitor an ailing bank in a financial crisis, and to bring Mr Fyodorov into almost day-to-day contact with the western finance ministries to support his programmes.

Russia takes radical rhetoric with a grain of salt

Mr Yeltsin's government may have trouble putting its package of economic reforms into practice, writes **John Lloyd**

RADICAL economic reform in Russia leads a strange existence.

It is universally called "shock therapy" by its many detractors inside and outside parliament, who blame it for high inflation, high prices, the decline of living standards and the fall in production.

Its supporters within the cabinet would say it has not really begun. The package of measures revealed to the cabinet on Thursday on the eve of the Congress of People's Deputies session yesterday is designed to give it a kick-start.

Designed by Mr Boris Fyodorov, deputy prime minister for the economy and finance, the package was the cabinet's answer to President Boris Yeltsin's call at the weekend for urgent proposals to stabilise the economy.

According to Interfax news agency, the package includes lifting the bank rate to 8 per cent a month (from a rate of between 80 per cent and 100 per cent a year), putting a strict limit on the issuing of credits to enterprises, establishing a hard currency fund to be used for stabilising the rouble, demanding a six-month moratorium on foreign debt repayments, easing the way to allow citizens to buy private plots and take part in privatisation, and enforcing personal responsibility of ministers for the success of their briefs.

If implemented, the package will be radical in its effects, especially if credits *are* limited, since it would indicate the government is winning its struggle with the central bank to slow down what it sees as the main engine of inflation.

But Mr Fyodorov wants to go further. He is seeking the head of Mr Viktor Gerashchenko, the bank chairman, and has asked Mr Yeltsin to fire him. Mr Yeltsin may oblige: he blames the central bank for playing "a negative role. . . in stirring up inflation".

Limiting credits and pushing up interest rates (albeit to a point still far below the inflation rate of around 25-30 per cent a month) should finally force to the wall many of the companies that are staggering on with credit infusions to keep them alive.

The resulting bankruptices will raise the low unemployment figure and is calculated to send a shock through the company sector, forcing restructuring and development of market mechanisms.

But will it be implemented?

> Plans have been devalued by so many false starts and obstacles. Once again there must be a pause for the popular vote next month

Mr Fyodorov told the cabinet the measures would have to be trimmed to keep in mind the political imperative of winning a large vote of confidence in the president on April 25, when Mr Yeltsin's proposed popular vote of trust in him is scheduled to take place.

More weightily still, Mr Yeltsin said yesterday in his speech to Congress that the government had made many mistakes and that insofar as a "new course" in the economy was required, it should be a course towards more social balance.

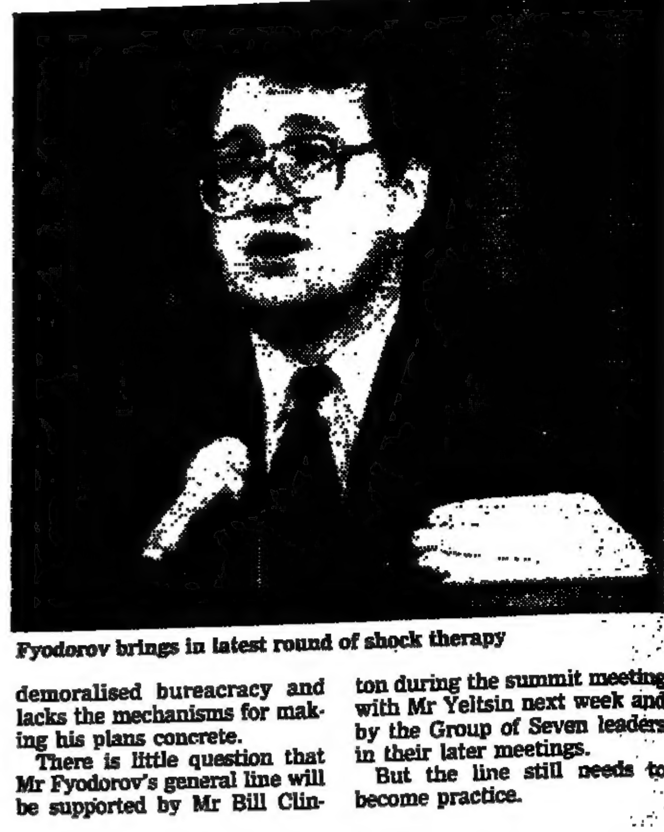
The president said nothing about the harsher measures in Mr Fyodorov's package, stressing instead a raising of the minimum wage, new benefits and pay for the military and the need to stop the slide in living standards.

Further, the cabinet will face another battle with the Congress over the budget, approved on Thursday – though the ambiguous relationship between the government and parliament after Mr Yeltsin's assumption of presidential powers may mean it will simply ignore the lawmakers' proposals. The approved budget amounts to Rbs17,000bn (nearly £17bn at the current exchange rate) and would, says the government, push up the budget deficit from an estimated 12 per cent of GNP this year to about 22.5 per cent.

Mr Fyodorov is the key figure in this. Firing Mr Vassily Barchuk as finance minister and Mr Andrei Nechayev as economics minister puts the two ministries, which he already oversees as deputy prime minister, in his hands.

He will be his own finance minister and can probably get an ally in Mr Nechayev's job. If he also gains the ousting of Mr Gerashchenko and has a more compliant central bank chairman, he will be monarch of economic policy in a way Mr Yegor Gaidar, former acting prime minister, was only for the first quarter of last year.

But everyone is cautious. The rhetoric of radical reform has been devalued by so many false starts and obstacles. Once again, there must be a pause while yet another hurdle – the April 25 vote – is negotiated. The cabinet is divided and Mr Fyodorov has inherited a demoralised bureacracy and lacks the mechanisms for making his plans concrete.



Fyodorov brings in latest round of shock therapy

There is little question that Mr Fyodorov's general line will be supported by Mr Bill Clinton during the summit meeting with Mr Yeltsin next week and by the Group of Seven leaders in their later meetings.

But the line still needs to become practice.

COMMUNIST protesters hold up a picture of an old hero as Congress debates the impeachment of Yeltsin

EC ambassadors support free trade zone

By David Gardner in Brussels

EUROPEAN COMMISSION plans to negotiate a free trade zone with Russia between now and the end of the decade have won support from the 12's ambassadors to the Community.

This initial endorsement comes as a delegation to Moscow of EC foreign ministers and the Commission today meets members of the Russian government to discuss the bilateral relationship and Russia's crisis.

Brussels' request for a mandate to widen its "partnership" negotiations with Russia to include an eventual free trade agreement has to be endorsed by foreign ministers of the 12 on April 5 in Luxembourg.

The hope is to get an agreement that EC heads of government can approve at their summit meeting in Copenhagen on June 21-22. But despite fears that some member states might try to spike the proposal, "all went surprisingly well" at this week's EC ambassadors' meeting to discuss it, said one EC diplomat.

At first, France adopted a "low-key" approach to the free trade plan, diplomats said, while Belgium – which had been reticent when foreign ministers had a preliminary discussion of the idea on March 8 – now strongly supports it.

But the clearing of this preliminary hurdle coincided with news yesterday that the Commission has opened an inquiry into a surge of Russian aluminium imports into the EC, acting on a complaint from French producers.

Yakuts ponder identity in a post-Soviet world

By Leyla Boulton in Yakutsk

IN TSARIST Russia, the main role of the remote republic of Yakutia was to accommodate exiles banished by the authorities.

After 70 years of socialism brought it literacy, some industry and the status of an autonomous Soviet, socialist republic, Yakutia is proceeding towards a new chapter in its history.

It has become one of the big players in current attempts to transform the so-called Russian Federation (proclaimed by the Bolsheviks, but never realised) into a genuine federal state.

So far, relations between Moscow and individual republics have been a question of messy bargaining, with President Boris Yeltsin trading economic concessions for political support. The striving by Yakutia – or Sakha, as it named itself when declaring sovereignty last year – for the right to run its own affairs is mirrored elsewhere in the Russian Federation.

Some of the concessions it has won from Moscow are in the spirit of the federal treaty, for instance in giving it more rights over its considerable natural wealth, which includes 98 per cent of Russian diamond production.

The urgency of the process was underlined yesterday at the Congress of People's Deputies in Moscow when the leader of Karelia, another constituent republic of Russia, called on the parliament to quickly adopt laws to implement a federation treaty signed this time last year.

The treaty, conceived to avoid a Soviet-style collapse of Russia, divided up responsibilities between the federal and local governments in 89 constituent republics and regions.

That call received strong backing from Mr Yuri Skokov, the secretary of Russia's Security Council, who told deputies the state was already collapsing: "We do not have a crisis of power, we have a crisis of statehood. Our life depends on the regions."

Yakutia has set up its first diamond-polishing factory in association with a Japanese company, Arda, in an attempt to make more of its wealth. And Mr Afanasy Stepanov, adviser to the Yakut president, said plans are under way to offer diamonds as collateral to encourage foreign investment in other sectors of the economy.

Apart from gold and diamonds, the republic has oil, gas and coal.

But some of its strivings for more independence reflect its desire to save itself from the chaos of economic crisis in the absence of effective federal reform.

Mr Stepanov said the republic wanted its local branch of the Russian central bank to have the right to license commercial banks to take into account its specific conditions. He cited the fact that the republic was sparsely populated, extremely cold and that its only form of transportation was by aircraft.

In practice, the banking demand is aimed at allowing Yakutia to set its own reserve requirements for local banks and to set lower interest rates.

Although Moscow has reason to resist excessive decentralisation which could break up an already primitive financial system, it has other tasks, including the fight against inflation. Its other responsibility is to make the banking system more efficient.

With money transfers taking weeks to go through Moscow and then further afield, Yakutia wants the freedom to set up accounts with foreign banks and its own clearing system.

The specific conditions of Yakutia are also used as an excuse to slow privatisation as decreed by Moscow.

But while Yakutia has declared a state monopoly over all its natural resources, it has yet to come up with an efficient and transparent system for managing that monopoly.

If he survives his battle with Congress, President Yeltsin's next challenge will be to combine effective economic reform, binding for the whole country, with decentralisation that is seen to be fair.

Foreign companies operating in US may be asked to pay more in tax

By George Graham in Washington

FOREIGN COMPANIES are bracing themselves for further US efforts to extract more tax money from them after a renewed onslaught in the Senate this week.

Senator Byron Dorgan, a newly elected senator from North Dakota who is leading the attack, said tax avoidance by multinational companies, and especially foreign-based companies, was epidemic, and he called for a radical overhaul of the way tax is assessed on multinational businesses.

> "I can only view this system as a system that is in collapse. We are losing" - Senator Byron Dorgan, who is leading the attack on tax avoidance

"I can only view this system as a system that is in collapse. We are losing," Mr Dorgan said at Senate hearings this week, citing a study by the General Accounting Office that showed that between 1987 and 1990 around 72 per cent of foreign-owned companies paid no US income tax.

"We are being ripped off," added Senator Carl Levin of Michigan.

However, the same study showed that 59 per cent of US-owned companies also paid no tax over the same period, and Mr Natwar Gandhi, GAO's associate director for tax policy, said the current rules on multinational taxation, which have recently been modified, should be given a chance to work.

Foreign companies and governments had relaxed somewhat after President Bill Clinton backed away from his campaign claims that he could raise an additional $45bn in the four years from 1993 to 1996 by making multinationals comply fully with the tax code.

Mr Clinton's economic programme, outlined last month, contained a compliance initiative but more modestly claimed only $1.8bn of additional revenue over the same 1993-96 period.

Senator Dorgan, however, said "easily, at least $10bn a year disappears into the dark recesses of the compliance mess."

He called for the US to jettison the arm's length standard now internationally used to assess which country a multinational's income should be taxed in in favour of formulary apportionment, used by many US states.

Companies would be taxed on a proportion of their worldwide income, assessed by weighting their sales, payroll and property in each jurisdiction.

Senator Dorgan has formed an alliance with his fellow North Dakotan, Senator Kent Conrad, whose seat on the Senate finance committee gives him influence over taxation issues.

Senator Daniel Moynihan, the committee's chairman, has promised to hold hearings on the subject, and some Washington tax lawyers believe there may be an effort to add legislation on foreign company taxation to the full budget bill later this year.

Growth at 4.7% in fourth quarter

By Michael Prowse in Washington

MR RON BROWN, the US Commerce Secretary, yesterday hailed final figures showing real growth at an annual rate of 4.7 per cent in the fourth quarter of last year as confirmation that "the beginnings of a meaningful economic recovery are at hand."

But he warned that increased consumer confidence and business profitability had yet to be translated into higher levels of investment, employment and personal incomes.

Mr Brown praised Congress for passing President Bill Clinton's deficit-cutting plan but urged it quickly to approve the associated $16bn package of short-term measures to stimulate the economy.

Growth at an annual rate of 4.7 per cent in the fourth quarter was marginally slower than an earlier estimate of 4.8 per cent growth.

However, it was the fastest rate of expansion since the end of 1987, when the "Reagan boom" was still under way.

The expansion was led by consumer spending which grew at an annual rate of 5.1 per cent in the fourth quarter.

It was the seventh successive quarter of growth in the US after a brief contraction in the autumn and winter of 1990/91.

The figures also confirmed a revival of corporate profits. After-tax profits were up 9.2 per cent at an annual rate in the fourth quarter compared with the third quarter and by 10 per cent during last year as a whole compared with 1991.

Macedonia paves way for end of dispute over name

By Kerin Hope in Athens

MACEDONIA has agreed to join the United Nations with the temporary prefix of "former Yugoslav republic," opening the way for its nomenclature dispute with Greece to be settled through international arbitration.

UN recognition, even under the interim name, will make it possible for Macedonia to resume full-scale trading with western Europe after a year of problems in securing credit from banks abroad because of its uncertain status.

A UN Security Council resolution, proposed by Britain, France and Spain, also provides for Lord Owen and Mr Cyrus Vance, co-chairmen of the Yugoslav peace process, to supervise a swift arbitration procedure to find a compromise name, such as New Macedonia, acceptable to Greece.

> The main obstacle between the two neighbours is Greece's insistence that Macedonia should change its flag

Although Mr Constantine Mitsotakis, Greek prime minister, launched the idea of arbitration, he faces a difficult task this weekend in persuading his party's nationalist faction to accept the UN resolution.

Talks on confidence-building measures, based on proposals put forward last year by the European Community, are to be held in parallel with the arbitration process.

The main obstacle to a rapprochement between the two neighbours is Greece's insistence that Macedonia should change its flag, which carries an emblem associated with King Alexander the Great.

Greece also wants Macedonia to change its constitution, to avoid implying that there is a Macedonian minority living in northern Greece. Macedonia is anxious to get guaranteed access to the northern Greek port of Thessaloniki, its nearest outlet to the sea.

Administration set to press ahead with big cuts in defence spending

By George Graham in Washington

THE Clinton administration is sticking to its plans to cut defence spending, despite the increased instability in Russia.

Mr Les Aspin, the US secretary of defence, who will present a detailed defence budget today, says he cannot wait for everything to settle down, but argues that reduced military spending is still prudent because the dissolution of the Soviet Union and the Warsaw Pact is permanent.

"These Humpty Dumpties are not going to get put back together again," he said this week in a speech to the National War College in Washington.

President Bill Clinton has already outlined an approximate path for the defence budget that would take spending down to $264bn in fiscal 1994, around $12bn less than the Bush administration had planned, with further steady cuts to $248.4bn in 1997 before a rise to $254.2bn in 1998.

But Mr Clinton also warned that the Bush budget may have understated the costs of the troops and equipment included in its defence planning, while overstating the savings to be achieved from a review of defence management structures.

Even the savings contained in the Bush budget, therefore, may prove hard to achieve, let alone the additional savings proposed by Mr Clinton.

Senator Sam Nunn, chairman of the Senate armed services committee, has warned that he may rebel against the administration's budget plans if he sees a danger to the US military forces.

Mr Aspin has been further hampered in his efforts to balance this equation by his recent heart illness, which led to an operation to implant a pacemaker last week.

He said the budget was only a first step towards addressing the new threats of regional conflict and nuclear terrorism, as well as dangers further removed from traditional defence planning such as the possible reversal of reform in the former Soviet Union and the economic weakening of the US.

Mr Aspin promised a "really bottom-up review of defence budgets of the future" as soon as this year's budget exercise was completed.

Mexico to arrest seven officials

By Damian Fraser in Mexico

MEXICO'S Attorney-General has ordered the arrest of seven former top officials of Seguros La Republica, the Mexican insurance company in which Commercial Union of the UK has a major stake. The officials are accused of falsifying financial information.

Commercial Union says that it lost less than 1 per cent of group assets of £1.2bn as a result of misrepresentation of information both when it bought its stake and during the course of operations. Commercial Union has been forced to diloute its original stake of 46 per cent in the company after a Mexican partner injected capital to keep the company afloat.

The fraud came to light last year, after Mr Carlos Hank Rhon, a Mexican businessman, bought out Mexican partners. He found that losses were much higher than had been reported - leading to an investigation and subsequent order of arrests of the former director-general, and other senior officials.

Mr Jim Raffray, head of the international side of Commercial Union, said earlier this year that he was pleased with the "very forceful" response of the Mexican authorities to the fraud.

But he recommended future investors in Mexico make "an extremely tough due diligence." He said the Mexican government has not "fully modernised their way of regulating the insurance industry.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Serbs agree to ceasefire in Bosnia

By Laura Silber in Belgrade and Robert Mauthner in London

THE Bosnian Serb and UN military commanders last night agreed on a ceasefire in Bosnia's 11-month-old civil war, to take effect at noon tomorrow.

Though the agreement was being treated with caution by observers, who pointed out that neither the Moslems nor Croats had yet subscribed to it, it was considered of more than usual significance because the negotiations had taken place under the aegis of President Slobodan Milosevic of Serbia.

The ceasefire was agreed in talks between the UN and the Bosnian Serb army chief, General Ratko Mladic in Belgrade yesterday. The decision to hold the talks was made at a meeting between Mr Milosevic and General Philippe Morillon, the UN commander in Bosnia, on Thursday.

General Lars-Erik Wahlgren, head of the United Nations Protection Force in former Yugoslavia, who announced the agreement, said that Gen Mladic had authorised the departure today of a 20-truck UN aid convoy to the besieged eastern Bosnian town of Srebrenica.

The convoy, currently blocked by Serb militiamen at the Serbian border town of Mali Zvornik, will evacuate civilians from Srebrenica.

Gen Wahlgren also said that Gen Mladic, Gen Janko Bobetko, commander of the Croatian army and Sefir Halilovic, head of the Bosnian Moslem forces, would meet at Sarajevo airport tomorrow to discuss proposals for ending the war. Unless they reach an agreement, there is only a limited prospect that the ceasefire will hold.

The announcement of the ceasefire was made as Mr Radovan Karadzic, the Bosnian Serb leader, arrived in Belgrade from New York and immediately threatened to pull out of the peace talks on Bosnia, chaired by international mediators Mr Cyrus Vance and Lord Owen.

Mr Karadzic, who on Thursday refused to follow President Alijah Izetbegovic of Bosnia in signing the map of the semi-autonomous provinces into which Bosnia would be divided under the proposed settlement, was sceptical about the ceasefire agreement concluded by his own army commander.

Karadzic to face growing pressure over peace plan

By Robert Mauthner

THE Bosnian Serbs will come under increasing international pressure to accept the peace plan put forward by Mr Cyrus Vance and Lord Owen, the international mediators, now that the Bosnian Moslems have signed its main and most controversial element.

By endorsing the map of the semi-autonomous provinces into which Bosnia-Hercegovina would be divided, Mr Alijah Izetbegovic, the Moslem Bosnian president, has made sure that most of the blame for the continuation of the Bosnian conflict will be put on Mr Radovan Karadzic, the Bosnian Serb leader.

Though Moscow's envoy to the peace talks, Mr Vitaly Churkin, the Russian deputy foreign minister, was reported to have tried hard to persuade Mr Karadzic to change his mind, he persisted in his refusal to sign the map.

Mr Karadzic is now the only Bosnian leader not to have accepted either the map or the interim arrangements to be implemented during the period between a peace settlement and the organisation of elections, though he signed the constitutional framework for the new state at the beginning of this year. The Moslems and Croats, on the other hand, have now accepted all four parts of the peace plan.

The US, Britain and France have already begun discussing a new United Nations Security Council resolution, expected to be voted on next week, which would threaten the rump state of Yugoslavia – Serbia and Montenegro – with stronger sanctions if the Bosnian Serbs remain intransigent.

The international mediators and western leaders have made no secret of their belief that President Slobodan Milosevic of Serbia is the only political leader capable of forcing Mr Karadzic to adopt a more constructive attitude, as he did at the time of the Geneva discussions on the constitutional principles for Bosnia.

The Security Council resolution is expected to include cutting Serbia's transport links, freezing financial assets and the seizure of aircraft, ships and trucks which have violated existing sanctions.

Mr Warren Christopher, US secretary of state, said the aim of the resolution would be to oblige the Serbs to put pressure on their Bosnian Serb allies to negotiate and reach agreement on the peace plan.

But direct military intervention in Bosnia continues to be ruled out by the major members of the Security Council, and has become even less likely with the domestic political upheavals in Russia, where the conservative parliament is strongly pro-Serbian.

US President Bill Clinton's suggestion that the UN arms embargo against the former Yugoslavia should be selectively relaxed to help the Bosnian Moslems, also appears to be a non-starter. It would also be opposed by Britain and France which believe it would lead to intensified fighting.

Ruhrkohle to cut 20,000 mining jobs

By Ariane Genillard in Bonn

RUHRKOHLE, the largest coal producer in Germany, confirmed yesterday that 20,000 jobs will be axed in the next two years because of the worsening steel crisis, as 70,000 angry steel workers protested in Bonn.

The acceleration of planned job cuts in the German mining industry, an increase of 12,000 over what was originally planned for the next two years, is a direct result of cuts in steel production, where another 35,000 to 40,000 are expected to lose their jobs.

The threat of total closure still hangs over one entire pit – the Aden/Monopol mine in Bergkamen where 8,000 coal miners are employed. An entire coke works will close at the end of June.

The company had planned to carry out the total 20,000 lay-offs by 1999, with production gradually decreasing to 38m tonnes. But it had speed up its restructuring as orders from steel producers, expected to reach 41m tonnes of coal and coke per year between 1992 and 1996, fell to 32m tonnes.

Ruhrkohle said sales in 1992 plunged by 28 per cent. Unsold stocks have meanwhile steadily increased, from 15m tonnes of coal equivalent at the end of 1991 to a forecasted 20m tonnes at the end of 1993.

Faced with a bleak future, steel workers marched over the last three days from the Ruhr valley to Bonn where they reiterated their call for a national steel conference to debate the fate of the German steel industry.

"We are not only stricken by an economic crisis. We are also the witnesses of a profound political crisis," Mr Franz Steinkühler, the leader of IG Metall, Germany's giant engineering union, told the crowd.

He was cheered as steelworkers from all parts of Germany waving banners, cardboard axes and mannequins of murdered steel managers.

The union is calling on politicians to draw up a long-term strategy for the future of the national steel industry.

It has also been fighting to ensure that lay-offs are backed by retraining programmes and job creation schemes. But the union has stopped short of calling for strikes at plants facing closure in the Ruhr valley.

A bed of thorns for French partners

By Alice Rawsthorn in Paris

ASSEMBLÉE NATIONALE
Elections '93

FRANCE'S Socialist President François Mitterrand once said of his first cabinet meeting in *cohabitation* with a centre-right government: "I was surrounded by men, 60 per cent of whom hated me and 80 per cent of whom fought against me".

However, by the end of the two-year period of *cohabitation* between 1986 and 1988 the wily president had not only outmanoeuvred Mr Jacques Chirac, the conservative premier, on the international stage, but thrashed him in the 1988 presidential elections.

Giscard d'Estaing, UDF leader, (left) and Balladur, RPR candidate (right), have made conciliatory noises to Mitterrand (centre)

The critical question for Mr Mitterrand, and for the conservatives, now waiting with ill-disguised patience to return to power after the second round of voting for the parliamentary elections tomorrow, is whether the president will find it quite so easy to thwart the government in the next round of *cohabitation*.

The French constitution is vague on the division of power between the president and parliament. French presidents, unlike their US counterparts, do not have a right of veto over new legislation. The president can refuse to sign decrees, but the government is permitted to bypass the president by implementing its proposals through parliament. Mr Chirac did this and went on to dominate the domestic agenda.

However, Mr Mitterrand held sway in the international arena claiming that, as head of state, the president is responsible for foreign affairs and defence. The constitution is not clear on this issue. But Mr Mitterrand insisted on representing France at international summits thereby upstaging the unfortunate Mr Chirac.

In theory President Mitterrand should be more vulnerable now than he was at the start of the last cohabitation government. He is older, at 76, and frailer following his prostate surgery last autumn.

He may also lose his political power base if Mr Michel Rocard, former French premier, succeeds in his "big bang" plan to abandon the Socialist Party, which Mr Mitterrand revived in 1971, to form a centre-left alliance with the ecologists.

Moreover the conservatives are on course tomorrow to win up to 480 of the National Assembly's 577 seats. This should give them the highest majority of any French government since the early 19th century and make it even easier to force through domestic legislation. The scale of the majority may also strengthen the conservatives' claims that they have a mandate from the electorate to extend their influence over foreign affairs.

However, the new conservative government's position may not be as strong as it seems. There are serious splits between the Gaullist Republican Rally (RPR) and the Union for French Democracy (UDF) on critical issues, notably in foreign policy.

The UDF is more enthusiastic than the RPR about continuing the socialists' policy of forging close economic relations between France and Germany.

It is also less aggressive than the RPR in its calls for the renegotiation of the agricultural reforms agreed last year by the European Community.

President Mitterrand has in the past proved to be adept at exploiting such tensions. He fired his first shot this week by curbing Mr Chirac's calls for his resignation with a series of well-placed leaks that he might retaliate by refusing to nominate a prime minister from the RPR, Mr Chirac's party.

These leaks have already caused chaos on the right. Mr Chirac has no wish to be prime minister again, believing that it might lessen his chances in the 1995 presidential elections. However he does want to ensure that the premier is an RPR candidate, ideally the apparently malleable Mr Edouard Balladur. Mr Chirac has already started to back-track.

Mr Valéry Giscard d'Estaing, the UDF leader, has been making conciliatory noises to Mr Mitterrand in an attempt to use Mr Chirac's predicament to further his own prime ministerial ambitions.

The hapless Mr Balladur has followed suit in a bid to repair the damage caused by his party leader.

Yesterday's Le Figaro offered sound advice to all the conservatives. "Watch out!" it said. "The leaders of the RPR and UDF are walking into a minefield. Even the smallest of their disagreements will be used against them."

NEWS: INTERNATIONAL

UN ready to send 30,800 to Somalia

By Michael Littlejohns, UN Correspondent, in New York

THE UN Security Council was last night scheduled to approve a peace-keeping operation for Somalia that would be the biggest ever mounted by the world body, costing an estimated \$1.55bn (£1.09bn).

A force of 20,000 troops plus 8,000 logistical support personnel, backed by 2,800 civilian staff, would replace the US-led military teams that entered the famine and strife -stricken, country last December.

The changeover is planned to begin on May 1 with the UN *assuming virtual control of* the country - on an even bigger scale than the present operation in Cambodia, which has a \$1.4bn budget.

*There are fears that the fac*tional conflict in Cambodia, which has hobbled UN efforts there, made be paralleled in Somalia unless the troops are empowered to adopt tough measures.

A resolution drafted during intensive private consultations invokes the enforcement provisions of Chapter VII of the UN Charter, and stresses "the crucial importance" of disarming trigger-happy bands that have spread terror and anarchy throughout Somalia.

It also "demands" that all local parties comply fully with agreements made at a peace conference in Addis Ababa, in particular implementing the ceasefire.

Mr Boutros Boutros-Ghali, the UN Secretary-General, will *have to use the troops also to* ensure the enforcement of the arms embargo already in effect.

Although he initially pro*posed an operation lasting a* year the resolution speaks only of a six-month period, mainly due to the high cost.

However there is no doubt that the force, known as UNOSOM II - a small number of UN troops went in last year - will have to be renewed past October 31, whatever the cost.

Among the UN's tasks will be relief and economic rehabilitation, the repatriation of Somali refugees and the restoration of law and order in a nation that for months has had no central governing authority.

● Low-flying US fighter aircraft led an American military push yesterday to block any attempt by one of Somalia's leading warlords to seize the southern Somali port of Kismayu, Reuter reports from *Mogadishu*.

A 4,200-strong US amphibious troop force set off from Mogadishu for Kismayu by sea on Thursday following reports *that warlord Omar Jess* planned an offensive against dominant Kismayu warlord, Mohammed Said Hersi, also known as Morgan.

Beijing switches track on HK

By Simon Holberton in Hong Kong

CHINA said yesterday it hoped Hong Kong's multi-billion dollar airport could be built before 1997 and held out the possibility of future Sino-British co-operation over the transfer of the colony.

In a marked change in rhetoric, Mr Lu Ping, China's top official on Hong Kong affairs, was reported in the pro-Beijing New Evening Post yesterday as saying China and *Britain* had many issues to resolve on the transfer of sovereignty in 1997.

He said they should be dealt with by the Joint Liaison *Group (JLG)*, the Anglo-Chinese forum set up to deal with the details of Britain's withdrawal from Hong Kong. JLG talks have been stalled since October last year when Governor Chris Patten made public his proposals for a more democratic Hong Kong.

Mr Lu also said that he still hoped the colony's HK\$175bn (£15.8bn) airport could be finished before British administration ceased in 1997. He said that Britain had to adhere to the memorandum of understanding, signed by the British and Chinese prime ministers in September 1991 - something the Hong Kong government has said it has done all along.

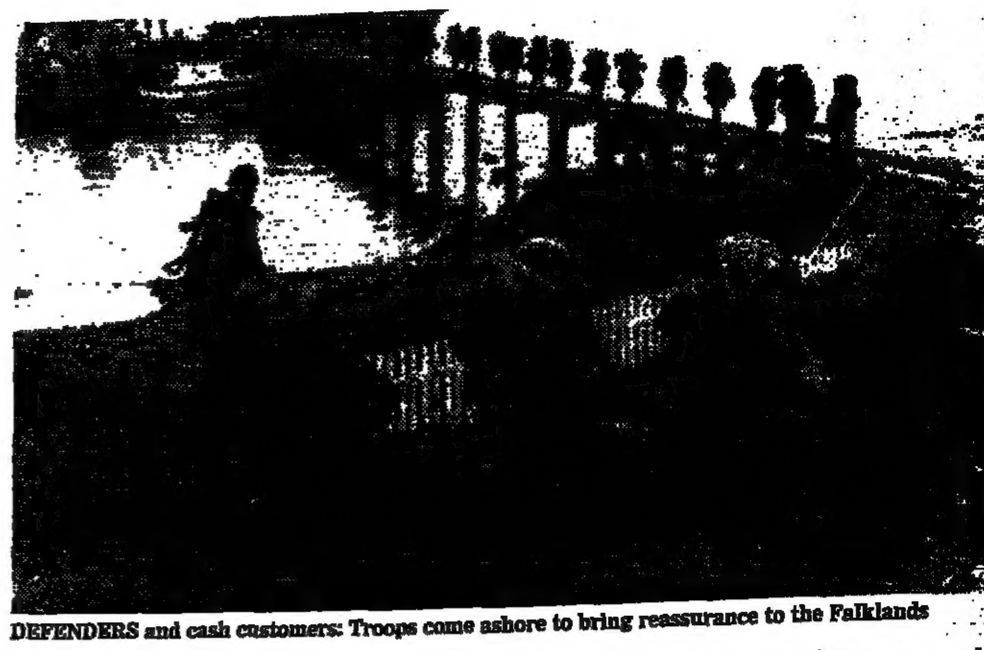
Over the past week, senior Chinese officials have sought to moderate the somewhat emotional response which has characterised China's reaction to Mr Patten's publication two weeks ago of legislation for more democracy in Hong Kong.

In a further move to draw back from the brink, China's top central banker, Mr Li Guixian, said in Beijing yesterday that China welcomed British investment in China from companies which were "co-operative". A week ago China said British interests in, and trade with, China could be *put at risk by Mr Patten's* actions.

Mr Patten has yet to set a date for the beginning of the legislative process to ratify, or *modify, his plans for political* development.

An odd society battles on

David White finds Falkland Islanders an endangered species



DEFENDERS and cash customers: Troops come ashore to bring reassurance to the Falklands

MEASURED by the ratio of military to civilians, the Falkland Islands must have the most heavily defended population on earth. The colony's 2,200 inhabitants, almost all of *British descent, barely out*number the 2,000 UK airmen, soldiers and sailors posted there.

Since the 1982 UK-Argentine conflict over the islands, an influx of new blood has reversed the population decline. But numbers have never been much greater than today and as a surge of prosperity based on squid fishery peters out, nothing short of an oil bonanza is likely to change that.

The two communities live apart. Most servicemen are housed at Mount Pleasant, a new airfield complex built on a peat bog 35 miles from Stanley, the capital, along a road that (although the islands' best) is only partly tarmac.

They are pretty self-sufficient. A sore point, under discussion with local authorities, is that mess kitchens use New Zealand lamb, in a territory whose treeless, wind-battered expanses serve little productive purpose except as grazing for 750,000 sheep.

The meat comes by way of Britain, 8,400 miles away, in what is probably the longest voyage ever undertaken by a meat carcase. The thing is that the islands have no EC-standard abattoir and they say they cannot now afford one.

Nevertheless, the armed forces are the islands' biggest cash customer, and the biggest tourism earner. They are warmly appreciated.

Military flights, which anywhere else might be considered a nuisance, provide reassurance. "We get complaints when people don't low-fly enough," says Rear Admiral Neil Rankin, British forces commander.

Islanders worry about the improving relations between London and Buenos Aires. The need to co-operate with Argentina, whether on fisheries or on future oil development, is a bitter pill to swallow.

The *scars from 1982 show no* sign of healing. Argentine citizens are still banned. There are no transport connections. The main link to the outside world *is the 18-hour, twice-weekly* flight to the UK by RAF Tristar. The garrison, with a few Tornado fighters, heavy Hercules aircraft, helicopters and a frigate, is designed to hold the base until reinforcements arrive in a crisis.

Running expenses are put at £50m-£60m a year, not counting the pay servicemen would get anyway, nor the cost of the RAF staging post on Ascension Island.

In spite of the "firm and unwavering commitment" pledged during a visit this week by Mr Malcolm Rifkind, the British defence secretary, the number of military personnel may be reduced. But the islanders' numbers could dwindle, too. Sixth-formers go to the UK; there may be less reason for them to come back.

The population has never been much greater and nothing but discovery of oil is likely to change that

Prospects opened up after the war. Under a programme to bring land into local ownership, farm employee Mr Robin Marsh bought 20,000 acres in West Falkland, the smaller of the two main islands, with 5,000 sheep.

But *for the past three years,* as world wool prices have plummeted, he has depended on support from the Falkland Islands government. This sup*port may now stop.*

The government tapped unprecedented wealth from a licence regime set up in 1987 for vessels fishing within a 150-mile zone. The boats are mostly squid "jiggers" from Japan, Korea, Taiwan and southern Europe. Government revenue, previously about £6m a year from wool tax receipts and UK grand aid, shot up to an unaided £40m.

But last year Argentina launched a rival licence scheme, a move widely seen in the islands as deliberate economic pressure. Argentina is in a powerful position, since the young squid move south to the Falklands through its waters.

It agreed with Britain last December to limit this season's number of licences. But the Falklands have slashed their estimate of licence earnings for the financial year just ending from £23m to £15m. Next year, government officials say, the planning figure is just £10m.

At the islands' secretariat on Thatcher Drive, Mr Ronald Sampson, chief executive, describes it as "perhaps the greatest reduction in revenue that any country will experience short of having a war."

Public works, including the upgrading of tracks into something resembling proper roads, have run out of money.

The good times have nonetheless left their imprint. A new hospital and school have been *built. With a gradual* migration from "camp" – the country areas – residents say Stanley has become more bustling and urban.

Japanese four-wheel drive vehicles can be spotted among the Land Rovers. Outlying settlements now have telephones and next month should receive television programmes.

But where else do the armed forces provide the only television service? Sparseness, Englishness and remoteness make for an odd society. Darts matches and sheepdog trials are covered live on radio. The islands have no cash machine, no Indian restaurant, no illegal drugs and as yet no dole. There are as many species of penguin as pubs.

What the islanders are waiting for is offshore oil. Successful exploration has been carried out in nearby Argentine waters. A seismic survey to the south is almost complete. Another has started to the north. Mr Sampson says even getting as far as exploration would bring a dramatic boost in population.

Oil could transform the islands. But people are in two minds about the prospect. They value their unspoilt lifestyle. Says Mr Sampson: "The *most endangered species here* would be Falkland Islanders."

Nigerian parties to meet as democratic rule nears

By Paul Adams in Lagos

NIGERIA WILL take a step closer to democratic rule this weekend, when the country's two officially permitted political parties each choose a candidate for presidential elections in June.

The party conventions, beginning today, are the penultimate stage in the fourth attempt to end seven years' military rule with a peaceful transition to elected civilian government, set for August 27.

Most of the structures for civilian rule are in place. There are elected local councils and civilian governors in all 30 states. The national assembly's members have been on full pay since last year but they have no legislative powers until a president has been elected.

Both the Social Democratic Party (SDP) and the National Republican Convention (NRC) are the creations of President Ibrahim Babangida, who has promised that before restoring democracy to Nigeria he will purge civilian politics of corruption and create a new group of politicians fit to run.

The previous presidential campaign ended abruptly in October when the government disqualified all candidates for electoral fraud less than two months before the polls. Primaries began again in February under a complex new system designed to produce leaders with grass roots support and to reduce blatant vote-buying.

The government has written both parties' manifestos and neither gives a clear sign of ideology or policy direction. The campaigning at local government and state level so far has centred on ethnic, religious and personal loyalties, and *there has been virtually no* debate on the national issues which a future president will face in office.

After a decade of military rule and three postponements of the handover in three years, most prominent civilians with experience of government are either barred from standing or have not entered the race. Some of the leading candidates who were disqualified last year, such as Mr Musa Yar'Adua in the SDP and Adamu Ciroma, remain influential behind the scenes.

Mr Moshood Abiola, a frontrunner for the SDP, is a Yoruba businessman from the south-west and proprietor of the Concord newspaper empire. His main party rival is Mr Baba Gana Kingibe, a former ambassador and director of the intelligence service.

Both leading contenders for the NRC, businessman Bashir Tofa and physician Dalhatu *Tafida, are northerners with* connections going back to the defunct National Party of Nigeria.

Vietnam looks to Tokyo for diplomatic help

By Robert Thomson in Tokyo

VIETNAM wants Japan to use its diplomatic influence to encourage Washington to normalise US-Vietnamese relations and allow international financial organisations to fund the country's redevelopment.

Mr Vo Van Kiet, Vietnam's prime minister, in Tokyo on a five-day visit, told Japanese leaders the country is keen to resume normal ties with the US, whose economic embargo has limited Hanoi's access to foreign aid and investment.

The visit, the first by a Vietnamese prime minister since 1973, as an indication of Japan's willingness to develop an Asia policy independent of Washington. The US is still inhibited by memories of the Vietnam war and is yet to be satisfied on the issue of military personnel still listed as missing in action.

Tokyo has been wary of offending the US and until last year had asked companies to adopt a low profile in broadening business dealings in Vietnam.

But after ending a 14-year ban on assistance last November, Japan is now more confident that stronger ties with Hanoi will not compromise the US relationship.

It plans to send a study team to Vietnam in May to devise a plan for infrastructure development.

Mr Kiichi Miyazawa, the Japanese prime minister, said his government "wants to co-operate" to ensure the success of Vietnam's economic reform programme.

Tokyo has offered two grants totalling Y684m (£3.95m) for medical equipment and forestry machinery, insisting that the machinery be used not for felling trees, but for cultivating new forests.

Japanese officials also asked Mr Vo Van Kiet to exercise restraint over the ecent killings of ethnic Vietnamese in Cambodia. United Nations officials are concerned that Vietnam may retaliate, complicating attempts to secure peace in Cambodia.

Meanwhile, Japan announced yesterday it would send about 50 military personnel to Mozambique as part of a UN peacekeeping mission. The decision has so far been uncontroversial, in contrast to the despatch of 600 personnel to Cambodia last year.

The government said the Mozambique case meets the pre-conditions for a Japanese presence in a peacekeeping operation, including that a ceasefire agreement should be in place and that all parties involved in the conflict approve of a Japanese role.

Japan's industrial output rises 1.9%

By Robert Thomson in Tokyo

JAPANESE industrial production rose 1.9 per cent last month, compared to a month earlier, but the increase could be short-lived as manufacturers apparently lifted output in the hope of a recovery in domestic demand this month.

The Ministry of International Trade and Industry said the month-on-month increase was the first since last September, but year-on-year production was down 5.4 per cent, compared to falls of 7.6 per cent in January and 8.5 per cent in December.

Carmakers have increased production in expectation of fresh demand for newly-released models, and the Japan car manufacturers' association reported a rise in sales for the first half of this month.

The slowly returning confidence of carmakers was reflected in 4.4 per cent increase in transport machinery production in February, as well as a 7.9 per cent increase in metal production and a 7.6 *per cent increase in precision* machinery output.

Meanwhile, Tokyo's consumer prices rose 1.6 per cent in the current fiscal year, the smallest increase in four years, due to increasing price competition in a slowing economy and an 11.9 per cent fall in vegetable prices that followed favourable weather conditions.

The management and co-ordination agency, in a preliminary report, said the recent strengthening of the yen will mean cheaper imported foods and fuels, while the easing of the labour market will limit increases in service charges.

In the fiscal year to the end of this month, housing *expenses are estimated to have* risen 3.0 per cent, entertainment and medical expenses 2.7 per cent, and clothing and footwear 0.8 per cent.

The agency also said household spending fell 2.1 per cent in January, as consumer confidence declined in tandem with the slowing of the economy. There was an 8.8 per cent decrease in purchases of furniture and other household goods and a 5.3 per cent fall in *spending on recreation and lei*sure activities.

Two quit in Korean scandal

By John Burton in Seoul

A CORRUPTION scandal in the South Korean parliament claimed its first victims yesterday as two MPs from the ruling Democratic Liberal party (DLP) resigned.

At least 15 other MPs, including the speaker of the National Assembly, may be punished by the DLP for engaging in illegal property speculation and tax evasion.

The actions are part of an anti-corruption campaign launched by Mr Kim Young-sam, the new president. He recently ordered DLP legisla*tors, who hold 161 seats* in the 299-member chamber, to disclose their assets.

The disclosures appear to confirm public suspicions legislators have amassed arge personal fortunes from political contributions and secret financial transactions. The average wealth of ruling party MPs amounted to won Won 2.5bn (£2.2m) despite their relatively low salary.

Mr Kim is using the anti-cor*ruption campaign to assert his* control over the DLP.

NEWS IN BRIEF

Indian police make big explosives haul

INDIAN police yesterday seized nearly 1,500kgs of plastic explosives, five times the amount used in a bombing blitz earlier in the month that killed 250 people and injured 1,400 in Bombay, Reuter reports from Bombay.

The explosives, found in a locked apartment at Kausa town in Thane district northeast of Bombay, were probably meant for a second round of attacks on the city, Mr Amareet Singh Samra, the Bombay police chief said.

He said the bombers had apparently wanted to trigger a new round of Hindu-Moslem clashes in Bombay, which was swept by communal bloodshed in December and January.

Mr Samra said the explosives were traced on information disclosed by one of four key people involved in carrying out the attacks, in which 13 bombs ripped through the port city in the space of two and a half hours on March 12.

Police have so far arrested 17 people, including some suspects who have told police how the RDX explosive was smuggled into Bombay, and how they were trained to plant it.

Authorities have identified a wealthy Muslim family, the Memons, as key suspects in the case. Some of them are believed to have fled to Karachi in Pakistan.

Pakistan said it has been unable to catch the primary suspects because India provided too little information too late.

Hungary cuts value of forint

Hungary yesterday lowered the forint by 2.9 per cent, increasing the pace of an exchange rate policy of creeping devaluations, Nicholas Denton reports from Budapest.

The National Bank of Hungary, the central bank, passed off the devaluation as a *one-off technical* move to compensate for the recent appreciation of the US dollar, to which the forint is partly linked.

The central bank said that the rate cut was part of this year's strategy of lowering the forint in small steps in line with producer prices. But *independent analysts* saw yesterday's move as confirming a fundamental softening of the government's policy of maintaining a strong forint to suppress inflation.

Yesterday's currency step is the largest for over a year and comes just six weeks after the last, 1.9 per cent devaluation.

Irish central bank cuts STF rate

Ireland's central bank yesterday dropped its short-term facility (STF) rate by half a percentage point, to 10.25 per cent the lowest level since late 1991, *Tim Coone* reports from Dublin.

The STF underpins wholesale and commercial money market rates in Dublin, and is now half a percentage point below the 10.75 per cent rate last September just before sterling left the ERM and which brought heavy pressure to bear on the punt and *Irish interest rates.*

The STF has been brought down from 13.75 per cent in a series of cuts, raising the prospect of accelerating depreciation since the punt was devalued by 10 per cent within the ERM last January, and following the series of cuts in German interest rates.

Mr Bertie Ahern, the finance minister said yesterday that the latest cut "clears the way for all lending institutions to make further early reductions in retail interest rates".

Security high for Lesotho poll

Soldiers guarded shops and government buildings in Maseru yesterday amid fears of violence on the eve of Lesotho's first general election in 23 years, Reuter reports from Maseru.

The military *government* declared a holiday, sent voters home to outlying constituencies and tightened security before today's vote.

In Maseru, capital of the tiny mountain kingdom encircled by South Africa, troops were on guard to prevent a repeat *of the* violence in the last election in 1970 when about 500 people died in clashes between the two main parties.

Leyland Daf van plant loses 227 jobs

By Kevin Done, Motor Industry Correspondent

NEARLY one in five workers remaining at the Leyland Daf van plant in Birmingham was made redundant by the administrative receiver yesterday, with the loss of 227 jobs.

The Birmingham workforce, which totalled 1,960 when Daf collapsed into receivership in early February, was cut yesterday from 1,201 to 974.

A further round of redundancies is expected next week at the Leyland Daf truck plant at Leyland, Lancashire.

Plans for a management buy-out of the truck operation were boosted yesterday, however, by Lancashire County Council. It said it was considering a joint bid with the management buy-out team for the Leyland site.

The council said discussions were still only at the "initial planning stage". But, under the proposal, Lancashire Enterprises, the county council's economic development agency, would develop the Leyland site into "a business and high-technology park", while the buy-out team would concentrate on the existing assembly operations at the site.

The plan for the rescue of the UK truck business received further encouragement from Daf Trucks in the Netherlands, which has reached an agreement in principle with the buy-out team to sell the UK-built Leyland Daf 45 series light truck range through its European dealer network.

Mr John Gilchrist, leader of the Leyland management buy-out team, said last month the eventual success of a buy-out depended on the signing of a contract to supply the newly formed Daf Trucks.

Leyland Daf said yesterday close to 30 per cent of its output of 13,967 trucks last year comprised deliveries of 45 series trucks to continental Europe. A further 3,972 of the 45 series trucks were built for the UK market, while 1,384 trucks were military vehicles for the Ministry of Defence.

Daf Trucks, the new company formed in March to take over the core medium-duty and heavy-duty truck operations of the collapsed Daf group in the Netherlands and Belgium, said it had also "expressed its intention to arrive at a long-term contract" for the 45 series to be marketed through its European dealer network.

Mr Gilchrist said the team aimed to complete its business plan so it could start "definitive financing discussions" with institutions interested in supporting a management buy-out.

In Birmingham, Leyland Daf Vans has already been established as a stand-alone business with the promise of support from 3i, the venture capital group. Formal negotiations with the receivers are expected to begin shortly with the target of completing a deal in the second half of April.

The receiver said yesterday the latest redundancies in Birmingham resulted from a decision to cut production to only 200 vans a week from the previous level of 250. The company was producing 350 vans a week before the collapse into receivership.

Heath issues warning on Maastricht

By Ralph Atkins

SIR EDWARD HEATH stirred up Conservative divisions yesterday by accusing Baroness Thatcher, his successor as Conservative prime minister, of inciting Tory MPs' opposition to Maastricht and the government. Sir Edward also said that Mr John Major, prime minister, should stop being "quite so nice".

At the same time as Sir Edward was warning Mr Major that the Tory right-wing could never be appeased, Mr Michael Howard, environment secretary, was preparing a speech urging Britain to fight for a Europe, "in our own image".

Speaking in Folkestone, Mr Howard said: "The Tory vision is of a wider Europe dedicated to free trade, decentralisation, deregulation, low taxation, and above all, a low-cost Europe, flexible enough to compete with the dynamic economies of the Far East."

The renewed tension between Euro-enthusiatic and Euro-sceptic wings of the Conservative party will serve as a warning to the government that its Maastricht problems are far from over. This is in spite of its success this week in pushing ahead with the treaty legislation, helped by Liberal Democrats.

Speaking on Channel Four television, Sir Edward said there was "no doubt" that Lady Thatcher and Lord Tebbit, the former party chairman, were inciting rebel Conservative MPs.

"We see Lord Tebbit sitting in the lobby just by the entrance to the members' chamber and grabbing people and trying to influence them, and they are taken down to Lady Thatcher's room in the Lords where they are also addressed and where she also attempts to influence them against Maastricht and against the government."

Sir Edward said Mr Major, "simply mustn't be quite so nice".

He added: "There is one thing that one always has to remember in my party, which is you can never appease the right-wing. Never. You live happily with them but you recognise they will not accept your general policies and they will, wherever possible, protest."

He complained that Maastricht opponents had stood on the Conservative ticket at the last election. "If they wanted an election to object to Maastricht they can form their own party. Or they can stand as independents. That is the honourable course," Sir Edward said.

Separately, Mr Paddy Ashdown, Liberal Democrat leader, yesterday warned at a Scottish conference that his party's support could not be taken for granted by ministers. "We are an independent party in this. We do not tow the Tory line," he said.

Mr Ashdown reaffirmed that he, like the Labour party, still wanted the social chapter included in the treaty.

Channel tunnel payments claim

CONTRACTORS building the Channel tunnel said yesterday that their claim for substantial extra payments from Eurotunnel had not been undermined by decisions by the International Chamber of Commerce, Andrew Taylor writes.

The ICC said in an arbitration verdict on Thursday that the contractors would have to justify each individual element of their claim separately rather than pursue a single all-embracing claim.

Transmanche Link (TML), a consortium of five British and five French contractors building the tunnel, said: "The arbitrator's decision dealt with a number of issues, several of which fully support TML's contentions and none detract from TML's pursuit of its longstanding entitlements to recover compensation from Eurotunnel."

It did not believe the ruling would affect the amount of money being claimed.

Canary Wharf plan outlined

THE administrators of Canary Wharf, the office development in London's Docklands, have outlined proposals to end the administration. Unsecured creditors would receive 15p in the pound of their debt, totalling about £70m.

The funds for the proposed company voluntary arrangement would be made available by the project's banks if a successful exit from administration was agreed.

The administrators, partners of Ernst & Young, said they were looking for a strong level of commitment from creditors.

Severn bridge work halted

CONSTRUCTION work on the £300m project to build a second road bridge across the River Severn was halted yesterday by a dispute over bonuses.

About 500 members of the Union of Construction, Allied Trades and Technicians staged the one-day stoppage after negotiations with management failed to produce agreement.

Ucatt members voted 89 per cent for strike action in a ballot. They will attend a mass meeting on Monday to consider further action.

BAe announces 160 job cuts

BRITISH Aerospace yesterday announced 160 job cuts at its corporate jets plants. The company said most would be achieved through voluntary retirement.

One hundred jobs will go at the plant in Broughton, near Chester and the rest at Hatfield, Herts.

Mobile phone calls surveyed

MORE than nine out of 10 calls made to and from mobile phones are successfully set up and completed, according to a survey carried out for Oftel, the industry regulator.

The survey gives Vodafone's network a slight edge over Cellnet's on calls both to and from mobile phones.

The funeral of three-year-old Johnathan Ball yesterday. His death has focused public anger over the IRA bombing campaign and prompted calls for a settlement

Violent week culminates in fury

Ralph Atkins, Tim Coone and our Belfast Correspondent report on the growing public outrage over the violence on both sides of Northern Ireland's religious divide

THE DEEP revulsion felt over terrorism arising from the troubles in Northern Ireland erupted into anger yesterday after a grisly week of killings – leaving politicians floundering to address a fresh re-emergence of a "something must be done" mentality.

The burial of Johnathan Ball, the three-year-old boy killed in Warrington last weekend was a focus of anger – especially from Dublin.

A peace rally at the city's central post office tomorrow will protest that the IRA is not acting in the name of Ireland. The site is intensely symbolic – the location of the 1916 uprising against British rule.

From the other side of Northern Ireland's religious and political divide, six Catholics have been killed in the province this week by loyalist terrorists.

The public outrage is palpable but, after almost 25 years of the "troubles", is far from unprecedented. Not for the first time either the words of statesmen on both sides of the Irish sea have failed to cover the political intransigence gripping the province.

Bogged down by dispute between Unionists and Dublin over whether Ireland's constitutional claim on Ulster is up for negotiation, political talks are not expected to resume until after the local elections in the province on May 19.

In the vacuum, terrorism has surged. Loyalist attacks in particular are seriously worrying security chiefs. The Ulster Freedom Fighters, the military wing of the now-banned Ulster Defence Association, is being run by a younger and more ruthless leadership.

Ironically, the intelligence forces are less able to track many ringleaders following arrests made as a result of the 1990 Stevens inquiry into collusion between loyalist terrorists and the security forces.

Sir Hugh Annesley, Royal Ulster Constabulary chief constable, says the threat from loyalist terrorists has never been greater. The new hardline leadership has warned it will escalate its activities.

Politicians are united in their anger. Mr John Major said the "belief that these people are evil" was spreading. It was "intolerable" that the wish of the majority to live peaceful lives should be frustrated "by a tiny minority," said Mr Dick Spring, Irish foreign minister.

But the unanimity quickly degenerates when solutions are addressed. Mr Peter Robinson, deputy leader of the hardline Democratic Unionist Party, insisted that "the men of violence are immune to public outrage – and they are also immune from political settlement". Many Unionists say tougher security – including internment without trial – is the only answer.

Among nationalists, however, the priority is on addressing historical divisions – and there is a sense that the failure of formal political talks is a justification for individuals to talk to terrorists.

Irish Senator Mr Gordon Wilson, whose daughter was murdered by the IRA at Enniskillen in 1987, is to meet IRA military chiefs and has received support from Mr Seamus Mallon, deputy leader of the nationalist Social Democratic and Labour party. The opening of such unofficial channels of communication should be encouraged to stop violence spiraling, Mr Mallon has said.

The seemingly irreconcilable divisions only encourage support for the most radical of solutions – treating Northern Ireland like any other part of the UK or pushing for Irish unification. Neither Dublin nor London really believe either can work.

Will anything result from this expression of popular mood? Mr Dick Spring is trying to woo Unionists, to address their concerns in the hope of re-starting talks. There might be a resumption in June or July.

Mr Major takes a close interest in the work of the Northern Ireland Office. A year ago, after a still more ferocious episode of killing, he successfully kick-started political talks, only for them to collapse later that year.

He is due soon to meet Mr Albert Reynolds, the Irish prime minister, under an agreement that the two should meet every six months. Maastricht, the domestic economy and coal pits have distracted his attention. Perhaps Northern Ireland will be higher on his agenda this weekend.

● The IRA said yesterday that one of the four Catholic workmen shot dead by the outlawed Ulster Freedom Fighters, in the past 48 hours was one of its members. The terrorist group, which admitted the killings in of Castlerock, had claimed the man was the IRA leader in the Maghera area.

Gold probe leads to arrest of 25

By Richard Donkin

CUSTOMS AND EXCISE officers have arrested 25 people in a series of co-ordinated raids across the UK connected to a gold smuggling network that is alleged to have defrauded the Treasury of £10m.

The arrests on Thursday mark the culmination of a nine-month operation investigating gold transactions worth £60m.

About 10 tonnes of gold is said by Customs to have been traded in the scheme between a series of front companies.

The investigation is the biggest of a series into frauds similar to that alleged in this case.

New value added tax regulations for gold announced in the Budget and to come into force in April are expected to largely stamp out such frauds.

Under the new regulations, where the seller of gold issues a tax invoice the buyer will be liable to pay VAT direct to Customs and Excise.

Customs said that most of the gold involved in the latest operation was freely brought into the UK after January 1 when customs barriers came down because of the Single Market Act.

In earlier investigations relating to cases before the new year gangs had smuggled in gold.

Customs said the gold bars were bought in Belgium at the local VAT rate on gold of 1 per cent.

In the UK it was then sold on at the market price with 17½ per cent VAT added.

According to Customs transactions were passed through a series of companies and the VAT was never paid on to Customs and Excise.

The arrests were centred on addresses in London, Sussex, Avon, the west Midlands and the Home Counties.

Bankers fear exodus from British export support role

By David Dodwell, World Trade Editor

BRITAIN'S export bankers fear that five months of inconclusive negotiations with the government may lead to a cut in interest margins on project exports, prompting a steady withdrawal of bank support for exporters.

Large exporters have expressed concern over the "dwindling band" of banks able to support their export efforts.

A leading capital-goods exporter said yesterday: "Even with margins at their present levels, there is a very limited number of UK-based banks which maintain the size of team and have the necessary commitment to help UK exporters win major business in a range of overseas markets.

"To reduce their incentive to provide such help would not be helpful for the improvement in capital goods exports which the government is otherwise actively encouraging."

A five-year agreement reached in 1987 expired at the end of last November, and no new agreement is in place.

A stand-off has followed efforts by the Export Credits Guarantee Department, the government agency responsible for backing long-term export finance, to trim the nominal cost of supports to banks – fixed rate export finance, or Frefs – by 20 per cent from £44m a year to £34m.

Banks insist that Frefs, ranging from ½ per cent to ⅞ per cent depending on the life of a loan and the currency it is denominated in, are at a bare minimum for covering the costs involved with aiding exporters in arranging financing packages for overseas projects.

They argue that any further cut in margins would result in more bankers withdrawing from the business.

Cuts forced on banks in 1987 are blamed for having pushed more than a dozen out. Just a dozen banks remain active in the business today, including Midland, Barclays, Lloyds and National Westminster, along with Standard Chartered Bank, Kleinwort Benson, Morgan Grenfell and ANZ Bank.

The government appears to accept bankers' claims, but continues to demand cuts. A spokesman for the ECGD said yesterday: "We are still looking for some savings which will be significant for us, but are discussing a proposal which has been reshaped very much to take account of the preferences of the banks."

He said margin rate cuts should be offset by extra income from the higher volume of export business being handled by the ECGD.

Scots TUC urges peaceful demonstration at Timex

By James Buxton, Scottish Correspondent

UNIONS WERE last night making urgent efforts to avoid a repetition of last Monday's violent picketing outside the Timex factory in Dundee, where the US-owned company last month sacked and replaced its workforce after a strike.

The Scottish Trade Union Congress urged people planning to take part in next Monday's demonstration to stay within the law and keep to the rules set by the AEEU engineering and electrical union, which is involved in the dispute.

The appeal, which has the backing of Tayside police, was aimed at leftwing groups such as Scottish Militant Labour, which took part in last Monday's picketing in which 16 people were arrested when 600 demonstrators battled with police. But Scottish Militant Labour said yesterday it again planned to bus in supporters from other parts of Scotland to join the picket line on Monday and appealed to other groups to follow suit. It rejected accusations of using "rent-a-mob" tactics.

Mr Tommy Sheridan, leader of Scottish Militant Labour, who was arrested in last Monday's clashes, said he would be in Dundee but not at the picket line. Last Tuesday he appeared in court accused of breach of the peace and was ordered not to go within a mile of the plant.

At a news conference in Glasgow he quoted an appeal from Mr John Kydd, the sacked Timex union convener, for trade unionists, political parties "and any individuals the length of breadth of Britain" to support the Monday picket.

The violent picketing last Monday is embarrassing to the official trade unions which, while backing the sacked workforce, see little chance of winning the dispute and do not wish to be associated with either Militant or with violence.

Yesterday the Court of Session in Edinburgh upheld the interdict (injunction) granted earlier in the month to Timex which is aimed at limiting the number of pickets outside the plant to six. The AEEU had appealed against the interdict.

A week ago Timex failed to secure the extension of the interdict to banning all marches, meetings and demonstrations within 50 yards of the plant.

Timex has insisted that it had to sack its workforce to save the business after failing to reach agreement on settling the dispute. But many of the sacked workers are prepared for a long dispute.

Lamont urged to clarify Bank aid

By David Owen

LABOUR last night reacted to the disclosure that some banks are receiving financial support from the Bank of England by calling for a government statement on the nature of the support.

Mr Alistair Darling, the party's City spokesman, said there was "a clear contrast" between the Bank's prompt action to save some banks and the "marked reluctance" of the government and financial institutions to save struggling manufacturers.

His comments followed the disclosure that a number of small and medium-sized banks had received financial support in the second half of 1991 and that some of them were still in receipt of Bank funds.

Mr Darling said Mr Lamont should explain both how much was spent and where the support came from. "The chancellor must say whether it was the Bank of England's money, or whether the Bank persuaded other banks to put together support packages," he added.

He called for the Bank to say whether or not it gave implicit or explicit guarantees to any bank as part of a support exercise. He planned to ask Mr Lamont to encourage banks to show "a similar understanding" in their relationships with industrial and other commercial concerns.

Insurers may be sued over refusal to settle Maxwell life policy

By Jimmy Burns

LONDON insurers refusing to settle a £20m policy on the life of Robert Maxwell are being threatened with legal action by administrators of companies that were once part of his business empire.

It is understood that action could be initiated against some insurers which are holding out against a compromise out-of-court settlement.

The compromise has been agreed in principle by most insurance companies that have underwritten the policy, as well as by Mirror Group Newspapers and by administrators Price Waterhouse and Arthur Andersen.

Under the settlement, the insurers, which include Lloyd's syndicates and London market companies, would pay only £8.5m. without accepting liability.

Mr John Fisher, claims underwriter for the lead Lloyd's syndicate, said yesterday more than 80 per cent of the Lloyd's syndicates involved in the policy were now in favour of the proposed settlement. He expected a final agreement to be signed "within days".

Broker Willis Corroon said that, while the claim continued to be "under discussion", it was now of the view that a "settlement should be achievable".

It is thought that writs against some insurance companies on behalf of the Maxwell companies would follow the settlement.

Insurers which have agreed to the settlement are believed to be seeking a watertight legal agreement protecting them from any further liability.

MGN and the administrators – on behalf of Maxwell Communication Corporation (MCC); Robert Maxwell Group, a private Maxwell company; and Headington Investments – are covered by the policy. But there might be some as-yet unidentified associated companies of the Maxwell empire that might still claim a share of any eventual pay-out.

The proposed settlement was the subject of discussions lasting several months after insurers and claimants failed to agree on the cause of Maxwell's death.

Mr Roger Rich, of Rich Wheeler Company, loss adjusters acting for the insurers, said this week that he remained convinced that the most likely cause of Maxwell's death in November 1991 was suicide.

But a marine report commissioned on behalf of the insured by Price Waterhouse concluded after a separate investigation that an accident might have occurred prior to Maxwell's death by drowning off the Canary Islands. He had fallen from his yacht, the Lady Ghislaine.

Under the policy, drawn up several years ago but last renewed in April 1991, the full claim would be payable only if Maxwell died from accidental causes or murder.

A report in the magazine Business Age that Maxwell might have been murdered by Israeli agents is not being taken seriously by any parties involved with the policy.

Sources close to the administrators of Maxwell's companies said last night it was still not clear how any eventual insurance pay-out would be distributed among creditors, including pensioners.

Fishing blockade closes Plymouth

By Roland Adburgham and Jimmy Burns

ABOUT 150 fishing boats blockaded the civil and naval port of Plymouth, Devon all yesterday in the latest protest against cheap fish imports and government policy on preserving stocks.

The protest ended after threats of legal action from Associated British Ports, which owns the harbour and 21 other ports in the UK. ABP said it was "prepared to take whatever legal action is necessary to keep the port open for our business and our customers."

A car ferry had to be diverted to Poole and Royal Navy operations were disrupted, although the naval base said this was minimal.

The protest, following a blockade on Monday at the Port of Tees and Hartlepool, was joined by boats ranging from crabbers to trawlers which sailed overnight from other south-western ports to form the blockade at dawn. It was due to be lifted at about 6.30pm last night. Some of the boats fired distress flares across the harbour.

The blockade prevented the Brittany Ferries' Quiberon, sailing from Roscoff, France, from docking in the morning and it was diverted to Poole, Dorset. Passengers for the return sailing to Roscoff had to drive or be bussed to Poole.

Another car ferry, the 23,000 tonne Bretagne, sailing from Santander, Spain, was due to dock at 6pm but Brittany Ferries decided not to divert it in light of the expected lifting of the blockade.

Mr Richard Banks, chief executive of the National Federation of Fishermen's Organisations, yesterday co-ordinated the blockade from a trawler. The action was a rebuff to the fisheries minister, Mr David Curry, who in the Commons on Thursday called on the fishermen to abandon such protests.

Mr Mike Townsend, chairman of the Cornish Fish Producers' Association, whose members joined yesterday's protest, said: "It is perfect fishing weather and quite a sacrifice not to be fishing, but feelings are so strong that they have no alternative."

He said British fishermen were being asked to tie up their boats in the name of conservation when they caught only about 12 per cent of the stocks of white fish.

Trawlers gathered off Plymouth yesterday in protest at cheap imports but the action ended after ABP threatened to take legal action

● Labour launches appeal ● UDM to ballot members ● Extra £10m for electricity users

TUC calls march to protest at coal decisions

By Robert Taylor and David Owen

THE TUC yesterday decided to hold a march, rally and lobby of parliament on Monday, when MPs debate the government's coal white paper.

At the start of what seems likely to be the most widespread industrial disruption in Britain for many years, the Labour party appealed to the thousands who had protested *against the pit closure* announcement in October to lobby Tory MPs, urging them to rebel against the government in Monday's vote, although party officials conceded privately that there was little prospect of the government being defeated.

Members of the National Union of Mineworkers intend to strike for 24 hours next Friday in protest at the closures. Members of the RMT rail union are due to stop work on the same day in protest over British Rail's refusal to guarantee that there will be no compulsory redundancies in future.

The latest in a series of one-day London bus strikes will be held the same day, as will a TUC demonstration as part of a wider European trade union protest against rising racism and mass unemployment.

Mr Arthur Scargill, NUM president, yesterday called on all workers to join in the wider action in solidarity with the miners. The TUC is not doing so, but Mr Norman Willis, its general secretary, said he hoped that the strikes by miners and railwaymen would 'focus public attention' on the issues being raised by the European union day of action.

The train drivers union ASLEF is balloting its members on future strike action.

Labour urged opponents of the coal white paper to contact local Conservative MPs to persuade them not to support the government in Monday's Commons vote.

Mr Robin Cook, the shadow trade and industry secretary, issuing what he termed "an SOS to the nation", called on all who had "expressed their anger at the betrayal of the miners to do it again before 10pm on Monday".

He added: "The rigged market will not save the pits, but full mailbags of Tory MPs might."

He also released a strongly worded Labour amendment to Monday's government motion approving the white paper, calling for existing volumes of coal production to be maintained.

Labour intends to press for both its official amendment and an alternative urging the adoption of the recent trade and industry select committee report on coal to be voted on.

Some possible rebels were last night keeping their cards close to their chest. The Batley and Spen constituency office said Ms Elizabeth Peacock, the Conservative MP, would make up her mind how to vote after reading the white paper this weekend. Another potential rebel said he would not vote against the government but might abstain.

Mr Cook attacked Tory backbenchers who were already "mouthing words of support" for Mr Michael Heseltine, the trade and industry secretary, saying it was not Mr Heseltine who had "moved" over the last five months but them.

"Any Tory MP who meant a word of the expressions of support and sentiment they made last October cannot possibly go into the lobby and vote for this white paper," he said.

Mr Cook described as "extraordinary" the government's decision not to tie the white paper's subsidy offer to a commitment from the generators to buy more coal. He said he suspected the Treasury's attitude was to "hope that very little extra coal is bought which will mean very little is spent on the subsidy".

But Mr Norman Lamont, the chancellor, last night used a speech to his local Conservative association to say that the subsidy could be as much as up to £500m over five years as proposed by the trade and industry committee report.

Mr Heseltine's statement this week represented a "fair and sensible" way forward which showed "real extra backing" for the future of British Coal, Mr Lamont said.

THE Union of Democratic Mineworkers yesterday announced that it would ballot its 12,000 members next Friday over a 24-hour strike in protest at the government's white paper for the coal industry, Robert Taylor writes.

The decision by the union's executive to hold a ballot represents a sharp move away from its moderate policy. It underlines feelings of outrage among some of the union officials at the proposals of Mr Michael Heseltine, trade and industry secretary.

***The officials believe the proposals* have unfairly hit the union's Nottinghamshire stronghold. "This is the first time we have ever gone down the path of industrial action," Mr Neil Greatrex, UDM president, said yesterday.**

"We have tried to save the coal industry by every proper and intelligent way and this has not worked. Striking was always seen as our last resort. But we need to show the rest of Britain just how we feel about what has happened."

Mr Greatrex said he felt let down by *the government after spending the past four months trying to convince ministers* and Conservative MPs not to close any of the 31 threatened pits. He had felt that in a meeting with Mr John Major, the prime minister, he secured a clear understanding on what needed to be done.

Mr Greatrex said the government had changed its position on which pits to save only late on Wednesday night, after he had been assured all the Nottinghamshire pits would be secure. "I was told none of them would be mothballed *but two of the five threatened [Nottinghamshire] collieries have been*," he said. "The white paper is an absolute disgrace. It is just designed to get Mr Heseltine off the hook."

The union – founded in 1985 by miners who worked through the 1984-85 national coal strike – has worked with British Coal over the past eight years while pit productivity improvements were introduced.

The UDM leaders believe their loyalty has been abused and they are in the mood to urge their members to *take industrial action*.

Unit trust funds at record £69.2bn

THE AMOUNT of money invested in unit trusts increased to a record £69.2bn at the end of February, as buoyant stock markets and falling interest rates encouraged investors to buy collective funds, Philip Coggan writes.

Gross sales of unit trusts in February were £1.3bn, the highest figure since £1.7bn in September 1987. After allowing for repurchases of £738.3m, net investment was £590.7m, compared with £509m in January.

The industry was also boosted by strong sales of personal equity plans (Peps) as the end of the tax year approached. More than £53m was invested in UK equity income funds. Income and gains within Peps are tax-free.

Even more encouraging for the industry was that the number of unit-holder accounts, which had been steadily declining since 1987, has started to increase.

At the end of February the number of accounts was 4.4m compared with 4.35m at the end of 1992.

However, institutional investment provided almost £400m of February's net sales. The Budget change to advance corporation tax has raised *fears that life insurance* companies will find it less tax-efficient to invest in unit trusts. The industry is lobbying the Treasury to try to prevent the problem.

The Budget also reduced the tax advantage of a Pep for a basic-rate taxpayer.

London bus strike planned next week

THE TGWU transport union yesterday said that the next in a series of one-day London bus strikes would take place on Friday, April 2 – the same day as the RMT rail union plans a strike against redundancies.

This will be London bus workers' third day of strike action over wage cuts imposed in preparation for privatisation.

The action is being taken even though more than 90 per cent of the workers, a majority of whom voted for industrial action, have accepted contracts of employment.

Medina Holidays ceases trading

Medina Holidays, a London-based tour operator ceased trading yesterday. The company was bonded with the Civil Aviation Authority, so all 800 clients who had booked holidays will get their money back.

The company specialised in holidays to Greece and traded as Medina Holidays, Greek Express, Beachcomber Holidays and Corfu Holiday Centre. No-one is abroad with the company at the moment.

BP cuts price of petrol by 6p

BRITISH Petroleum will cut its petrol prices by 6p a gallon from Monday following the strengthening of the pound against the dollar.

The move is likely to spark a round of price cuts by rivals in the intensely competitive petrol market. Pump prices rose earlier this year.

BP's cut will take the maximum price for four-star to 254.1p a gallon and for unleaded to 231.4p a gallon.

British Gas moves Didcot's supply

BRITISH Gas has agreed with National Power to transfer gas supply contracted for the electricity generator's Didcot power station in Oxfordshire to a site at Little Barford, Bedfordshire.

Ofgas, the gas industry regulator, had threatened to take legal action this week against British Gas the company it had not agreed the transfer.

Mining equipment sector fears loss of 9,000 jobs

By Andrew Baxter

THE MINING equipment industry faces the loss of 9,000 jobs – 40 per cent of its workforce – because of the government's plans for the future of the coal industry, the Association of British Mining Equipment Companies said yesterday.

The cutting of a world-leading industry's base could cause foreign buyers to lose confidence in its ability to maintain capacity, the association warned.

A "disappointing" white paper offered little prospect of increased demand for coal, it added. Equipment manufacturers with overseas factories could also transfer work to countries where there is an active coalfield, warned Mr William Morrell, association director-general. The UK leads the world equipment market for longwall mining – the UK system of extracting coal in a continuous run of 200 metres to 300 metres. Exports have risen significantly over the past five years, accounting for about £400m of total production worth about £900m a year.

The association warned that a sizeable and stable home market is essential for continuing international marketing success. This is needed to finance spending on research and development and application technology.

British Coal has traditionally been the equipment industry's principal customer. The association said its members' state-of-the-art technology has been a significant contributor to British Coal's 160 per cent increase in productivity since 1986. The recent decline in the UK coal industry has taken its toll on equipment suppliers. According to the association, the closure of 70 per cent of UK mines from end-1987 to end-1991 has reduced the direct workforce by 50,000 to 22,000.

The association said yesterday that, by taking 18 pits out of production, the government will have removed one third of the suppliers' domestic market, giving no time for companies to adapt.

Many companies will not be able to sustain the R&D necessary for continued export success, the association said, adding: "Perhaps most importantly, the government still does not have a long-term energy policy which makes it impossible for our industry to plan what demand is likely to be for its products."

Northern Ireland industry gets belated energy help

By Ralph Atkins

THE GOVERNMENT is to provide at least an extra £10m to industry users of electricity in Northern Ireland to help curb rises in their energy bills – a move long demanded by Ulster Unionist MPs who may now decide to abstain in Monday's Commons coal debate.

The announcement by Sir Patrick Mayhew, Northern Ireland secretary, was made in a written parliamentary answer at the same time as Thursday's coal white paper – but not mentioned by Mr Michael Heseltine, trade and industry secretary, in his Commons' statement.

Colleagues of Sir Patrick yesterday denied that the timing of the move was deliberate. Although Mr Roy Beggs, the Ulster Unionist Party's energy spokesman, said: "I'm very pleased that the secretary of state has responded as positively as he has."

The party's nine MPs have agreed to meet on Monday to decide how to vote that night. In October they helped save the government from defeat over the pit closures by abstaining in a Commons vote.

Although their votes are now less crucial, ministers have listened carefully to Northern Ireland MPs' demands over the last five months and Mr Beggs has met Mr Tim Eggar, energy minister.

Ulster Unionists have also welcomed the European Commission's decision earlier this month to give about £60m towards the cost of the planned electricity interconnector between Northern Ireland and Scotland. Mr Beggs said his party had been concerned about electricity costs which, he said, were up to 25 per cent higher for large industrial users than on the mainland.

MoD 'unable to provide' Iraq papers

By David Owen

A GOVERNMENT minister admitted last night that his department might have destroyed some of the documents requested by Lord Justice Scott's inquiry into the arms-for-Iraq affair.

Mr Jonathan Aitken, minister for defence procurement, acknowledged that the Ministry of Defence had been "unable" to provide certain documents requested by Lord Justice Scott. In a parliamentary written answer, Mr Aitken said it was MoD policy "routinely to review and, where appropriate, destroy documents, usually after five years.

"Following the announcement of Lord Justice Scott's inquiry, instructions were issued prohibiting the destruction of any relevant papers. I am advised there are very few documents requested by the inquiry which my department has been unable to provide," he said. The admission comes six weeks after it emerged that Lord Justice Scott was increasing pressure on government departments he believed were obstructing his inquiry, threatening to name those that did not provide documents.

The inquiry team said last night that in cases where the MoD had been unable to provide documents, it had "generally been possible to obtain them from other departments to which the work was copied."

The team said: "The work of the inquiry has continued without interruption."

The inquiry team plans to set out next week details of how public hearings, almost certainly involving current and former ministers, will be held. It hopes to complete the hearings before parliament rises for the summer recess in July or August.

Responding to questions from Mr David Clark, shadow defence secretary, Mr Aitken also disclosed that the MoD had so far supplied more than 18,000 pages of papers to the inquiry.

BP case ends phase of corruption probe

By John Mason

THE jailing of two oil industry "information brokers" yesterday marks the end of the first phase of a continuing Serious Fraud Office corruption investigation involving some of the best-known companies in European engineering.

British Petroleum fell victim to fraud because staff members were prepared to sell confidential details of its contract tenders to middlemen supposedly denied access to such information.

This was then passed, for a price, to companies competing for the highly lucrative engineering contracts associated with oil production in the North Sea.

These companies included Thyssen, the German steel giant; Sulzer Pumps GB and Borsig GmbH and a number of large Japanese concerns.

The corruption centred around the sealed-bid tender system operated by BP – a system regarded throughout many industries as the "best practice" means of achieving maximum value when putting work to tender. But by cultivating key BP personnel within the oil company's procurement department at Harlow in Essex, the two middlemen, Mr Paolo Sorelli and Mr Josef Szrajber, subverted the system and earned substantial "commissions" by selling information to tendering companies.

Mr Sorelli made the contacts with BP staff, while Mr Szrajber sold the information to bidding companies. A former BP employee named in court as one source of the information sold by the men was Mr Alan Owen, a former chief buyer with the company's procurement department.

The complex sealed-bid system was manipulated in a variety of ways. The information could be used to either undercut a rival bidder or push up the price BP was eventually charged.

On other occasions it enabled an advantage to be gained during negotiations, supposed to clarify technical and other details, which took place between BP's procurement staff and a bidding company after the bids were in.

The sums involved were considerable. The sample charges put before the jury concerned 11 contracts awarded between 1988 and 1990 for pipes and pumping equipment worth up to £50m each.

The "commissions" were usually worth 2 per cent or 3 per cent of the contract values. Those paid to Mr Sorelli for the 11 contracts totalled more than £890,000. Those paid to Mr Szrajber amounted to about £524,000. Further sums totalling almost £300,000 were paid to others, including BP and Thyssen staff.

One Thyssen employee, Mr Manfred Reuss, took regular "commissions" when his company won a contract, the court was told.

The corruption first came to BP's attention early in 1990 when it was alerted to irregularities within its procurement department and an internal investigation was launched.

During the searches of Mr Szrajber's home police found records which, in considerable detail, outlined his system of receiving and paying his "commissions". This discovery led the police to Mr Sorelli.

The company said yesterday that its internal inquiry, which had to be suspended during the criminal proceedings, would now be re-started.

Paolo Sorelli (left) and Josef Szrajber: both found guilty yesterday of conspiring to defraud BP

Tory MPs want help for small oil companies

By Deborah Hargreaves

THERE IS growing political pressure on the government to provide transitional relief for oil companies affected by changes to Petroleum Revenue Tax announced in last week's Budget.

Some Conservative politicians are calling for help for smaller oil exploration companies, which stand to lose most from the tax changes.

The government plans to reduce the rate of the tax on existing oilfields from 75 per cent to 50 per cent and abolish it on new fields. It has also removed the tax allowances for exploration and appraisal, which will hit the small independent companies hardest.

The industry is split on the issue and some oil exploration companies such as Amerada Hess have mounted intense lobbying campaigns against the tax changes. Others, such as British Petroleum, have stressed the benefits of the new regime.

In a written reply to a parliamentary question, the Treasury said yesterday that: "offshore activities deemed to be commercially viable prior to the tax changes should be unaffected by the changes".

But Mr George Kynoch, MP for Kincardine and Deeside, told Mr Norman Lamont, the chancellor, that some of the smaller companies would need transitional relief in the move to the new regime.

"I'm making sure I convey the difficulties some companies are incurring in the transitional period so that the chancellor can make some fine-tuning at the committee stage," Mr Kynoch said yesterday. He is gathering evidence from a range of companies to present to the Treasury after the Easter recess.

Present arrangements for the move to the new tax regime state that any companies with outstanding contracts for drilling work will still be able to claim exploration and appraisal relief. Many independent companies want those arrangements not only to include firm contracts, but also obligations for drilling programmes made to the government.

Anger at Mirror move on article

By Raymond Snoddy

MR PAUL FOOT, the Daily Mirror columnist, yesterday appeared to be inviting the daily newspaper's new management to sack him.

The journalist, a nephew of the former Labour leader Mr Michael Foot, not only devoted his weekly column to the running of the Daily Mirror under Mr David Montgomery, the paper's chief executive, but also handed out copies of the article in the street when the editor, Mr David Banks, decided not to print it.

Mr Foot said yesterday: "I'll present another column next week on the same theme and it's up to them whether they print it."

Mr Banks yesterday defended his decision and said it was a deliberate challenge by Mr Foot to sack him. Mr Foot writes in his unpublished column: "After months of exposing callous sackings and victimisations across the country, I devote my page today to the astonishing events at the Mirror."

In his column, Mr Foot attacks Mr Montgomery and other directors of Mirror Group Newspapers. He also lists the names of many of those who recently have lost their jobs at the newspaper.

Sir Gordon Borrie, former director-general of the Office of Fair Trading and now a non-executive director of the group, is singled out for criticism because, Mr Foot alleges in the column, Sir Gordon has said nothing in public about job losses. Sir Gordon is chairman of Labour's Commission on Social Justice.

The column also claims that Mr Montgomery has been given an option by the group's board to buy 1.475m MGN shares at 61p – they closed at 104p yesterday. Other option-holders, the article says, include Mr John Allwood, the finance director (983,606 shares) and Mr Charles Wilson, former editor of The Times and managing director of the group (842,105).

Mr Banks told Independent Television News: "What Paul has produced is a finely polished suicide bullet and I won't allow him to use that bullet to draw me to dismiss him." If Mr Foot is sacked the move could further strain the paper's tense relations with Labour. The paper's new management has given assurances that the Mirror will continue to be politically left-of-centre.

Paul Foot outside the Daily Mirror's headquarters yesterday

BA prompts new Atlantic fares war

By Daniel Green

THE TRANSATLANTIC air fares war flared up again yesterday as first British Airways and then its rivals announced sharp cuts in tariffs.

BA cut its lowest return fare to the east coast of the United States by £70 to £259 for travel between April 1 and June 15. The fares are the company's lowest late-spring rates to its 21 US gateways for three years.

The fares also apply to the airline's services from Manchester and Birmingham, which start tomorrow. BA said: "It's a spring seat sale. We've got some spare capacity."

BA's fares and conditions were soon matched by US carriers United Airlines, American Airlines and Continental. Virgin Atlantic responded by announcing fares to its five US gateways that are £10 less than BA's. Tickets with any of these airlines must be booked before April 16.

The price cuts come when most airlines on the congested north Atlantic routes are struggling to make profits. Most, in spite of this, are increasing capacity between Europe and the US.

Mr Robert Ayling, British Airway's group managing director, said: "We are operating our biggest programme yet to the US this summer."

The new fares, excluding Virgin's, are: £259 return to east coast cities; £309 to Florida, £319 to mid-west destinations such as Chicago and Texas, and £329 to the west coast.

FINANCIAL TIMES

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Saturday March 27 1993

A question of confidence

EARLIER THIS week the results of a Gallup poll suggested that only 18 per cent of the British people thought that the chancellor, Mr Norman Lamont, was doing a good job. It is tempting to conclude, on that basis, that he must be doing a great deal that is right. But if his intention in the Budget was to inspire enough confidence to underpin a solid economic recovery, the conclusion has to be mixed.

Mr Lamont's case for deferring rises in taxation until 1994-95 was that by delaying the increased flow of revenue into the exchequer's coffers, he would allow the recovery to take a firm hold. There might, perhaps, have been something in this hypothesis if the proposed tax increases were levied on the kind of consumption goods that people could be relied on to buy sooner, in anticipation of higher taxes. But the controversial increase in VAT on fuel and power gives a bigger incentive to emigrate than to bring forward spending decisions: no one turns up the heat to escape next year's tax increase.

The more likely response of the British public to Mr Lamont's deferred shock therapy may be to batten down the financial hatches before the fiscal onslaught next year. The chancellor has thus been left, potentially, with the worst of both worlds. The verdict of Gallup hints that confidence remains fragile, while the markets still worry about the jump in the public sector borrowing requirement before fiscal stringency makes its mark on the figures.

It follows from all this that the recent sprinkling of modestly encouraging statistics has to be treated with considerable care. The improvement in retail spending figures might not survive such a Budget; and the sharp upturn in new mortgage figures remains, as yet, a one-month phenomenon. The surprise fall in the unemployment figures continues, meantime, to baffle officials and economists one week after the event.

Escape route

That said, the incipient recovery, unlike most of its postwar predecessors will not – indeed, should not – be consumer driven. The only plausible escape route from the present recession is one which is led by manufacturing output and exports. The upturn will thus look and feel unfamiliar, and will no doubt confound the forecasters once again.

Consider the obvious potential sources of demand in the upturn. Clearly the public finances will not permit the government to drive the recovery. A senior Treasury mandarin told the Treasury select committee on Wednesday that the Budget tax increases might not be enough to eliminate the structural element of the fiscal deficit. So that's official.

Nor is the consumer in a position to spend as in earlier recoveries. Personal sector debt more than doubled in the 1980s as a percentage of disposable income. While the cuts in interest rates since last September have reduced the debt-servicing burden and helped reduce the rate of fall in house prices, it is far from clear that the Budget Red Book's optimism about a possible rise in prices and turnover later this year is justified.

Housing slump

The ratio of house prices to earnings is admittedly back below its average for the past 25 years. But the relationship may have reflected a speculative demand for houses that no longer exists in a market where many owners have negative equity in their homes. Equally important, the peculiar British practice of lending up to 100 per cent of value on the security of houses relies on the readiness of insurance companies to provide cover for the top slice of the loan.

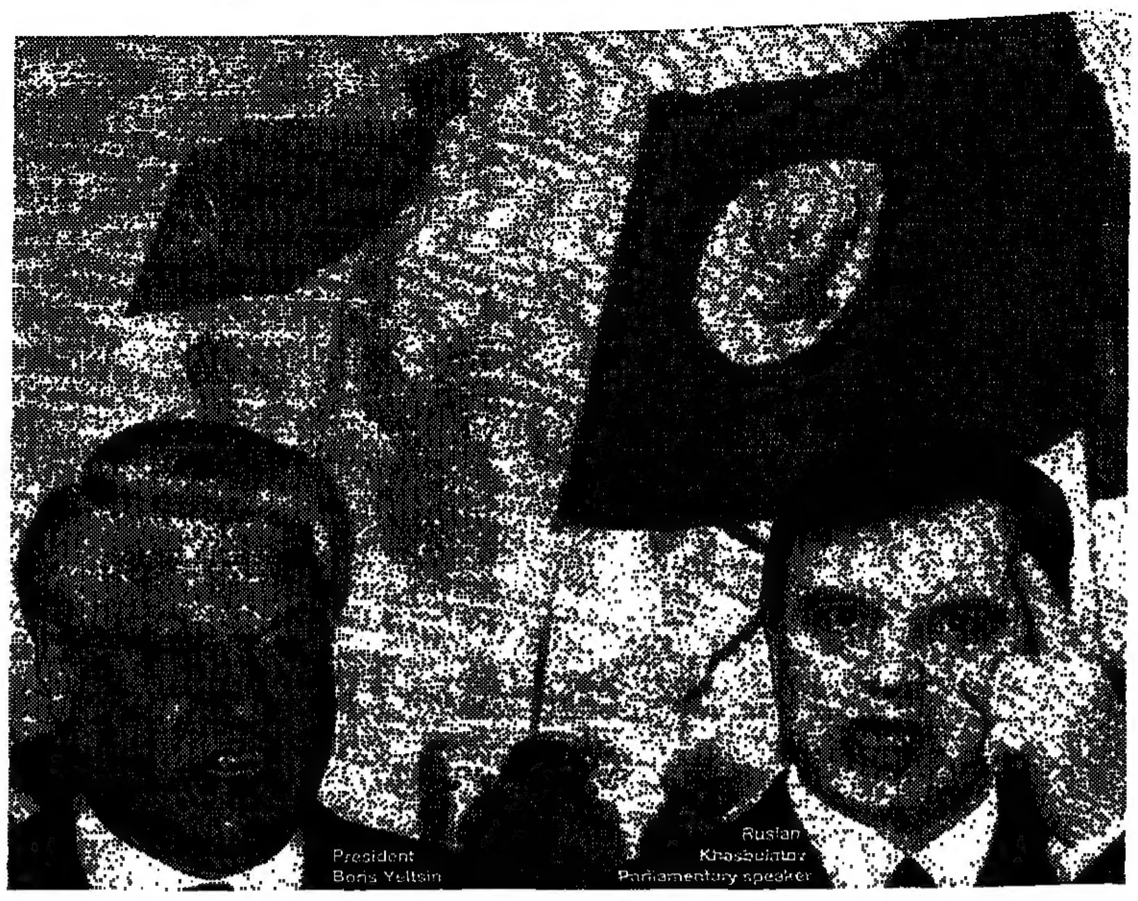
Insurance companies that have incurred heavy losses in housing are now obliged to demand more realistic premiums. That suggests that home buyers may have to save for longer to put down larger deposits in future. The housing market may thus play a smaller role in this recovery in the past, although the damper on demand will be less noticeable in the north, where the housing market was less frenetic. And unlike the early 1980s, there are no credit controls to remove to provide an alternative expansionary impetus.

The only plausible motor for recovery, then, is output. And here the Confederation of British Industry's latest survey of industrial trends offers encouraging straws in the wind. Manufacturing industry's order books are at their best levels since mid-1990 and manufacturers expect to increase output over the next four months. After the devaluation of sterling last autumn, that is just as it should be. The snag, as CBI director general Mr Howard Davies has pointed out, is that the continental European economy is in the doldrums.

Until the Bundesbank reduces interest rates significantly, a European upturn will prove elusive. But with German output contracting sharply, there is a growing expectation that rates will come down decisively in the second half of the year. In due course the British may find themselves with a recovery that derives its strength from the economy north of Watford. For once, the regions may have their day.

Yeltsin's opponents have been wrong-footed this week while he has kept popular support, says **John Lloyd**

An instinct for survival


President Boris Yeltsin
Ruslan Khasbulatov Parliamentary speaker

Mr Boris Yeltsin had won much by the time he strode into the Grand Kremlin Palace yesterday morning. This week, he had managed to steer a fairly consistent course while all about him disappeared up to their necks.

In the many opinion polls which have appeared in the past few days, the Russian president has consistently scored near or more than 50 per cent on any question which contrasts his actions with those of his rivals in parliament. In spite of the obvious economic misery of the country – high inflation, falling living standards, vast gulfs between the poor majority and the conspicuously wealthy tiny minority – Mr Yeltsin appears largely to have kept a popular base.

It is true that nearly all the mass media are either controlled by, or are loyal to, him; and that no single contender is directly challenging him. But Mr Vyacheslav Kostikov, his press secretary, was probably right to claim yesterday that the opposition to the president had been wrong-footed by the "wave of popular support".

Mr Ruslan Khasbulatov, the parliamentary speaker, certainly seems to have been wrong-footed. He switched from "the case for impeachment of the president is as clear as day" on Tuesday, to "frankly speaking, I'm no supporter of impeaching the president", on Thursday. Yesterday, his rhetoric when opening the Congress was muted. In contrast to the blistering off-the-cuff attack he made in the last Congress two weeks ago, this speech was read, stumblingly, from notes. Mr Khasbulatov now has many colleagues in parliament who want to shift him from his post: he, not Mr Yeltsin, may be the largest political victim of this week.

The chairman of the Constitutional Court, Mr Valery Zorkin, has fared almost as badly. He, too, began the week with a flurry of rhetoric, following Mr Yeltsin's weekend appeal to the people, prejudging the decision of his own court. The judgment, that the president had violated the constitution in some dozen places, was said by a court official to be "mild" only because it did not call for his impeachment – an index of how politicised and extra-judicial the court is expected to be. Mr Zorkin appeared in Congress yesterday, still playing the politician, with a 10-point compromise programme which gave Mr Yeltsin much of what he wanted and decried impeachment as a dangerous move.

In the four days between Mr Yeltsin's speech and the publication of the decree which gave it legal force, it was widely said he had watered it down. The phrase "special powers", which he had said he was assuming, does not appear in his speech: but the mechanism for ruling by decree was set out. It consists of forbidding parliament to countermand his decrees and instructions unless the Constitutional Court judges them unconstitutional. He has already started shunting out decrees at a great rate.

What the gap between speech and publication of decree did accomplish was to flush out his opponents. As Mr Sergei Shakhrai, the deputy prime minister who is the grandmaster of the presidents's strategy, said on Thursday evening, they betrayed their weakness by taking an extreme position – impeachment – then being unable to muster sufficient votes to execute it. Mr Shakhrai sees himself as General Kutuzov to Mr Yeltsin's Tsar Alexander, drawing the Napoleonic armies deeper and deeper into Russia, fooling them with apparent victories, only to force them to retreat when their supply lines ran out.

Finally, Mr Yeltsin has – at least he believes he has – given his government a clear space within which to operate. On Thursday, Mr Boris Fyodorov, now the head of economic reform in the cabinet laid out a scenario which would restart the long-stalled radical reform.

Thus, yesterday, among the accusations of treachery was the clear rustle of the suits for peace being handed in to the presidential office. His strongest case – that he wishes to put, at a popular vote on April 25, his own presidency and a draft constitution to the people – has won because of its essential simplicity.

It is important that Mr Yeltsin wins, for it is important that a coherent source of power attempts to govern Russia. But his victory – if that is what it turns out to be – must be qualified by three serious considerations.

First, if he does win the right to proceed with political and economic reform, this is only the beginning. He must in record time shape a constitution (whose fundamentals, he said, would not differ from a draft already approved by the Sixth Congress of Peoples' Deputies six months ago); he must support an economic programme which will, or should, bring real pain; he must find some rational settlement to the contradictory demands of the republics and regions in Russia.

Second, he is not going to get too much help from abroad, in spite of western rhetoric on this score: the Russian president rather bitterly reflected in his speech yesterday that one of his mistakes had been to over-estimate foreign aid. The Group of Seven countries will repackage the kind of sums they were putting up last year, not extend them: they will seek to target them at more publicly obvious projects, and will probably give substantial debt relief. This could be very valuable, but at bottom, Russia is, as ever, on its own.

Finally, Mr Yeltsin has taken a good deal of power into his own hands. He is likely to make some kind of compromise, but it does not appear that he will have to retreat too far. Can he be trusted?

Perhaps more to the point, can Mr Yeltsin trust himself? If he wins the struggle over the division of powers and becomes indisputably the first in the state, he will be under great pressure to adopt tougher authoritarian measures to push through reform and to quell discontent. Mr Khasbulatov's consistent complaint that there is now a greater threat of monopoly of power is wholly correct, though he spoilt it by being so obviously in pursuit of a 95 per cent share.

In the end, it all depends on Mr Yeltsin's instincts. The past week has shown that nothing is yet in place – no party structure, no parliamentary structure, no court structure – which can be a strong enough safety net for failing democratic institutions. His instincts have been good so far: it must be hoped they stay that way.

The dangers of drift

FT writers look at G7 attitudes to the Russian crisis

Most leading industrial countries are clear that they want Mr Boris Yeltsin to remain in control of the reins of power. What is less evident to them, however, is what he will do with them.

There is now relative confidence that Mr Yeltsin will stay on. The doubts centre on whether his struggles with parliament will leave him capable of executing reforms. As one British official put it yesterday: "The danger is more of drift than of civil war... It looks as if he will survive. But he needs to survive in an effective form to do something."

● Germany yesterday signalled relief that Mr Yeltsin appeared to be gaining ground. Bonn officials see the alternative group supporting Mr Ruslan Khasbulatov, the parliamentary speaker, as incoherent and irresponsible. They also believe that Mr Alexander Rutskoi, the vice-president, has lost support, and lacks the popular base to be an alternative president.

German officials say the Group of Seven countries is moving towards a three-part plan to aid Moscow – the first element of which would be to speed up releasing all the cash in the $24bn package agreed last summer.

"That silly question of supporting Yeltsin or democracy does not exist," one Bonn official said yesterday. "The government programme is going in the right direction. Yeltsin has a strong team. These people do have a coherent programme. They are driving towards a market economy and more democracy."

● In Washington, a fierce public debate has centered on one question. Is President Bill Clinton staking too much on the survival of Mr Yeltsin, just as Mr George Bush put too much faith in Mr Mikhail Gorbachev?

Mr Clinton says the US supports Mr Yeltsin because he is "the first elected Russian president in 1,000 years", and because economic and political reform, however halting, has been launched under his leadership.

But the US adds that its investment is in the reform process ("with or without Yeltsin" as Mr Clinton put it) because, without reform, there will be no post-cold war peace dividend at home. The administration knows the US cannot, of its own accord, keep Mr Yeltsin in power. But the White House recognises that if he is toppled, it will get some of the blame, much as "Who lost China?" and "Who lost Iran?" were dominant questions 40 and 14 years ago.

● In Paris, the foreign ministry believes Mr Yeltsin has enough popular support to win his referendum and face down the Congress. But, like the US, France is emphasising its backing for democracy and economic reform, rather than solely for the Russian president.

Mr Roland Dumas, the outgoing foreign minister, has been trying to hang on to his parliamentary seat ahead of tomorrow's second round of French legilsative elections. But he expressed confidence on Wednesday that Mr Yeltsin was still in control, and that the army would not intervene.

On the question of new western aid, French officials believe the west should return to the ambitious plan worked out by ex-Prime Minister Yegor Gaidar. Stabilisation of the rouble should be left to the IMF which, they admit, has so far had little success in imposing monetary discipline on the Russian central bank – more under the influence of Congress than that of Mr Yeltsin.

● The G7 member showing most indifference to Mr Yeltsin's fate is Japan. Rather than being seen as the saviour of Russian democracy, Mr Yeltsin has earned distrust for his perceived belligerence over the Kurile Islands, occupied by the Soviet army in 1945.

Mr Yeltsin was once called a "liar" by Mr Michio Watanabe, the foreign minister, for his allegedly inconsistent statements on the Kuriles. There would be few tears in Tokyo if the Russian president, after his high-wire balancing act, came a cropper after all.

Reports by David Buchan in Paris, David Marsh in London, Jurek Martin in Washington, Quentin Peel in Moscow, Robert Thomson in Tokyo

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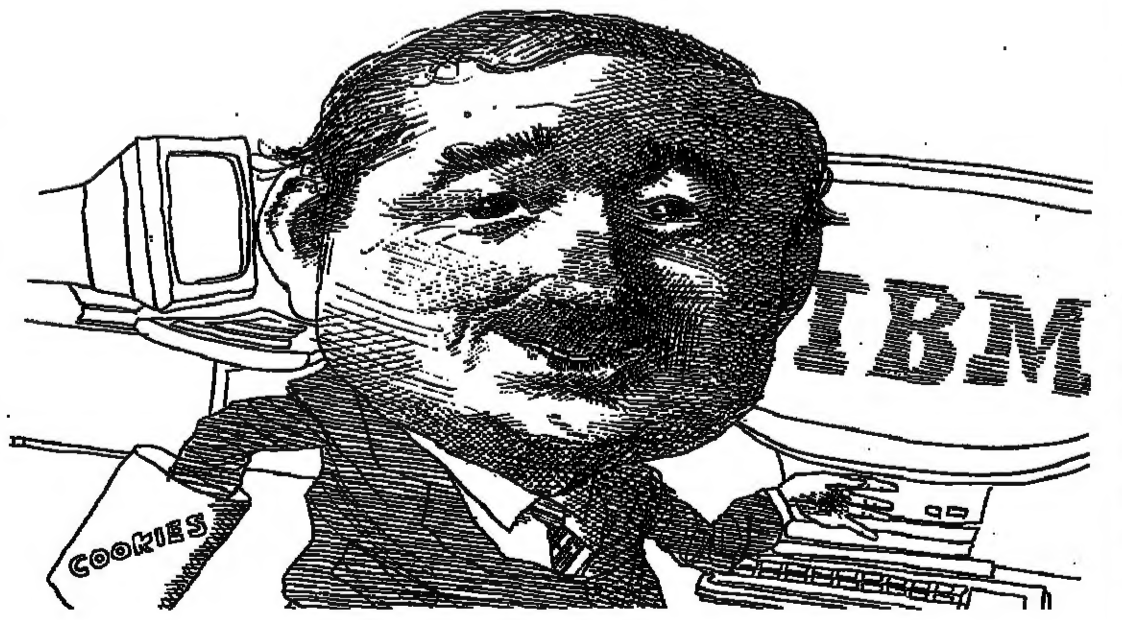
MAN IN THE NEWS: ***Lou Gerstner***

A bold leap into the Big Blue

FT writers on the appointment of a new boss at IBM



The fate of the world's largest high-technology company – ailing International Business Machines – was yesterday entrusted to a man who knows plenty about selling cigarettes, crackers and credit cards, but who is no computer expert.

IBM announced that its two-month search for a new chief executive had ended with the appointment of 51-year-old Mr Lou Gerstner, chairman of R J R Nabisco, the cigarettes and food business, and former president of American Express. He will succeed Mr John Akers, who is stepping down early because of the company's poor financial performance.

Mr Gerstner takes on one of the hardest jobs in corporate America – turning around a company which has been synonymous with US industrial might for the past 30 years but is now floundering for direction, with an entrenched bureaucratic culture which responds too slowly to the pace of change in the information technology industry.

In choosing Mr Gerstner, the IBM board is taking two gambles. The first is that the company's problems can be fixed by a new broom – a "change agent" in the fashionable management jargon – who comes not only from outside the company, but from outside the computer industry too.

Gerstner's status as an outsider should help him revive a stifling, inbred corporate culture

The second is that Mr Gerstner is the right agent of change, for while he is often described as one of America's best managers, his track record at R J R is mixed.

Some American observers argue that IBM's main problem is a lack of technological vision, which Mr Gerstner will find hard to provide. But others maintain the company's difficulties stem from weak management, which he may correct.

Mr James Burke, the director who headed IBM's search, indicated yesterday that the board took the latter view. "The company is not run as much like a business as it needs to be," he said, pointing out that technological know-how was only one of eleven qualities the board listed as desirable. Others included "unusual leader with immediate credibility" and "customer-oriented".

Mr Gerstner, the son of a distribution manager for a New York brewing company, took an MBA at Harvard and spent his early career at management consultants McKinsey & Co before joining American Express.

It was there that he made his name as a clever strategist who played a crucial role in revitalising the credit card business. He eventually became heir-apparent to Mr James Robinson, the chief executive ousted in a boardroom coup earlier this year. "The best young manager I've ever seen," one eminent non-executive director of American Express once said of him.

But in March 1989, possibly frustrated at playing second fiddle to Mr Robinson, Mr Gerstner accepted one of the most enticing business challenges of the day – to shake up poorly performing R J R Nabisco, which had just been acquired by management buy-out specialists Kohlberg, Kravis Roberts in the biggest and most ferocious takeover bid of the 1980s.

Mr Gerstner slashed R J R's bloated cost structure and quickly sold off some $6bn of peripheral assets to help reduce the buy-out's $30bn debt burden. The company's borrowings are now down to a manageable $14bn, thanks to a series of refinancings.

This experience will be invaluable in tackling one of IBM's most pressing problems – the excess fat which still afflicts the group. Despite numerous rounds of job cuts, observers reckon IBM may still need to cut its 300,000 work-force by up to 100,000.

Furthermore, Mr Gerstner's personality, and status as an outsider, should help him revive a stifling, inbred corporate culture in which decisions are too often made to protect individuals or groups rather than to increase competitiveness.

He is a stocky, round-faced, impatient man who elicits considerable loyalty from staff despite sometimes seeming insensitive. "His insensitivity is going to be a problem at IBM", says an old friend, "because there are a lot of teddy bears who like to be hugged." In his first year at R J R he travelled more than 150,000 miles, talking to people at all levels of the company, and he is likely to bring a similarly down-to-earth approach to IBM, where insiders often complain about the remoteness of top management.

Additionally, his preference for setting broad strategy but then delegating responsibility down the line is likely to fit well with IBM's own devolution programme, implemented by Mr Akers a year ago.

This involves its various businesses acting increasingly independently – and possibly being spun off altogether – while the chief executive's role becomes, in Mr Akers's phrase, that of a "portfolio manager" allocating cash and managing central services.

But while Mr Gerstner's cost-cutting credentials seem good, there is less certainty about his ability to expand a business over the long term. In the three full years since the buy-out, R J R's operating profits have been flat at about $2.9bn.

Tobacco is the larger of R J R's two divisions and makes a handsome return on sales. However, with cigarette consumption on a slow but relentless decline in the core US market, the game is all about grabbing market share. Here, R J R's record has not been impressive. According to Mr John Maxwell at analysts Wheat, First, Butcher, & Singer, the company's total share of the US cigarette market has slipped from 31.8 per cent in 1988 to 28.8 per cent last year, while its arch-rival, Philip Morris, has moved from 39.3 per cent to 42.3 per cent.

On the food side, the story is similar, albeit more cheerful. At home, Nabisco has generally clung on to its chunky market shares in the biscuit and snacks markets. But it had to cope with a slowdown in US consumer spending; a squeeze by retailers; and a price war. Increased marketing support has been needed and profit growth has been slow.

In short, there have been successes and failures and the prevailing view is that much has yet to be proven. "Mr Gerstner created a strategic plan and is probably more than a third of the way through," says Mr Barry Ziegler, analyst at A G Edwards. "But now he's leaving in mid-stream."

One of his toughest tasks at IBM, given his non-computer background, may be articulating a new sense of strategic and technological direction. The company has clung for far too long to the bulky mainframe computer, and its own proprietary software, while the world around it has moved to much greater reliance on desktop models arranged in networks and using standard software. IBM still has to decide its role in the computer industry of the 1990s, and then dispose of those parts of the business which do not fit. This involves placing tough technological bets.

Still, Mr Gerstner is not a complete technological novice and he has a reputation as a very rapid learner and a man who surrounds himself with good, diverse lieutenants. He took a degree in engineering, and sits (or did until yesterday) on the board of American Telephone & Telegraph. At American Express, one of the world's most sophisticated users of information technology, he was the moving force behind the development of an important new computer system. "He really likes this stuff", says an old colleague.

He also has an invaluable, intimate adviser in his brother Richard, who ran IBM's personal computer business and Asian operations before retiring recently because of ill-health.

IBM itself is hardly short of technological talent. The challenge for Mr Gerstner is to tap it effectively. A popular move, inside the company and the computer industry generally, would be for Mr Gerstner to appoint well-respected technologist Mr James Cannavino as group president, succeeding Mr Jack Kuehler, who will retire this year. Mr Cannavino currently heads IBM's personal systems division – the personal computer and computer workstation businesses.

By pairing the two men, IBM could achieve a balance between hard-driven "portfolio management" and technological vision.

There is a successful precedent for the leap Mr Gerstner is making. Ten years ago, Mr John Sculley, then chief executive of Pepsi-Cola, amazed the business world by joining Apple Computer, which after a bumpy patch has become one of the world's most successful personal computer companies.

He has an invaluable adviser in his brother Richard, who ran IBM's personal computer business

However, in an interview some years ago Mr Sculley said he felt it essential for the head of such a company to have a clear grasp of technological directions and acknowledged that it took him several years before he felt confident in this respect.

At IBM the issues are bigger and more complex than at Apple, and Mr Gerstner does not have the luxury of a long learning curve. The crisis requires rapid action.

Reporting by Martin Dickson, Louise Kehoe, Nikki Tait, Alan Friedman

Pit stop on the way to the market

Despite this week's coal plan, the UK government remains committed to a free market in energy, writes David Lascelles

The fact that it took Mr Michael Heseltine nearly twice as long as he hoped to devise his rescue plan for the pits shows that UK energy policy remains the passion-rousing tangle of competing interests it always was.

But does the blandly titled 150-page document The Prospects for Coal, which the UK trade and industry secretary finally came up with on Thursday, point the way to a better energy policy for Britain, or does it merely make the tangle even worse by trying to keep alive struggling coal mines?

Historians will probably conclude that the white paper was only a brief hiatus in the drive by successive Conservative governments to transfer the whole energy industry to the private sector – and there let market forces have their way. Anyone tempted to think that the coal crisis might have deflected the government from its free-market objectives need read no further than page three of the white paper.

"Competitive markets provide the best means of ensuring that the nation has access to secure, diverse and sustainable supplies of energy in the forms that people and businesses want, and at competitive prices."

Sure, government has a role to play, but the main one is "encouraging the development of competition". There is virtually nothing in Mr Heseltine's plan which interferes with these long-term objectives. British Coal is still to be shrunk to a commercial size and privatised.

Two of coal's chief competitors, nuclear power and natural gas, are unaffected. The deregulation of the electricity market is to continue. All that has changed is the timetable: it may now take a few years longer, but the danger of a further political backlash diminishes as the coal industry is whittled down.

Coal may have touched the country's heart-strings, but so far as Whitehall is concerned it remains a dirty and costly fuel which has to justify its existence. The lack of radical measures in the white paper may even have surprised some Heseltine-watchers who believed him to belong to the more interventionist wing of the Tory party.

But if his proposals really amount only to a pause on the way to the free market, his biggest task remains to convince sceptics that such a market is achievable and makes the best sense for Britain. None of the UK's EC partners has set itself that policy objective; virtually all of them subsidise energy in one way or another. Indeed, Mr Heseltine's proposal in the white paper to set up an Energy Advisory Panel to help the government draw up an annual energy report is a concession to the public's instinctive sense that government needs to keep an overseeing eye on the nation's energy balance.

There is also a strong current of opinion which believes that privatising coal in present market conditions would be unfair: it would have to compete against other fuels which are bolstered by monopolies and subsidies. The long time horizons needed to keep pits in business handicap them against fuel sources such as

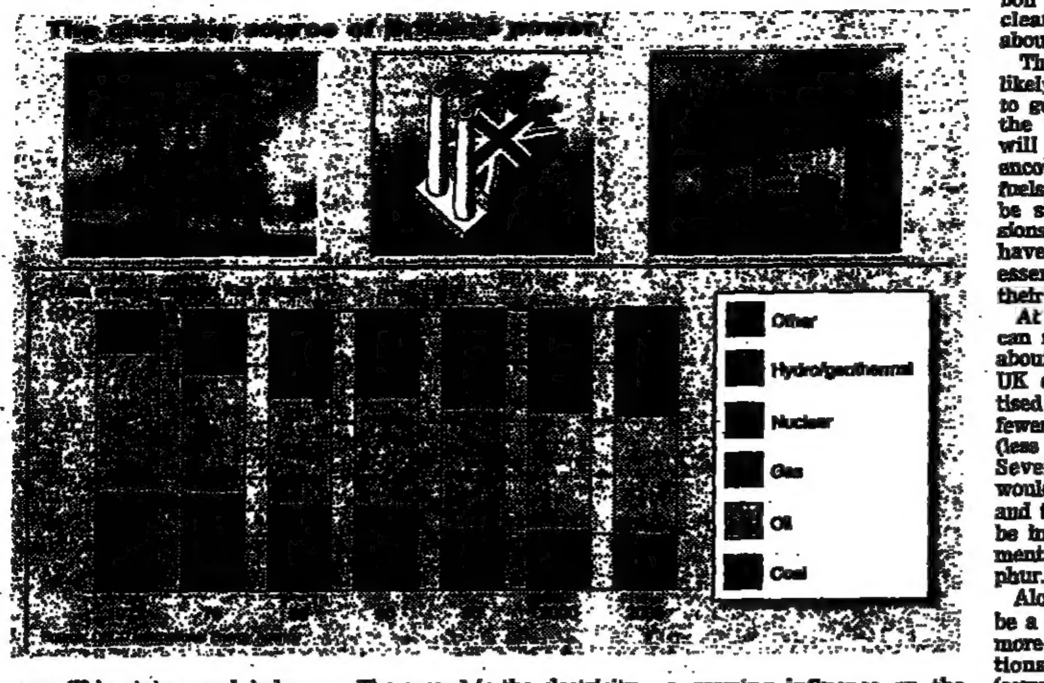
Many believe that privatising coal in present market conditions would be unfair

gas which can be developed quickly.

So if Mr Heseltine's aim of privatising coal is to have any credibility he will have to move on smartly to the next items on his energy free market agenda.

The first and most urgent is nuclear power; the white paper promises to accelerate a review of nuclear power which was originally scheduled for next year. This state-owned industry still receives large sums of money levied from energy users to help it pay for the cost of decommissioning retired nuclear plant. And it will continue to receive it for five years more. Although there is a strong case on commercial grounds for cutting nuclear power because of its enormous costs, it enjoys considerable support in government circles because of its long-term potential. Provided the technology can be made sound, it could become the cheapest form of power generation in the next century – and environmentally the cleanest at least in terms of emissions.

If Mr Heseltine believes in these long-term benefits he might be forced to conclude from the forthcoming review that the cost of helping nuclear was worth it. This would be ironical given the fate of the pits, but the difference is that Mr Heseltine is no believer in the long-term benefits of coal.



The second is the electricity generation industry. The widespread dissatisfaction with the concentration of power in England in Wales in the hands of the two generators, National Power and PowerGen, will have to be addressed before long. It may even be a necessary prelude to privatising British Coal, because investors will be wary of placing their money in the company after seeing from the present crisis just how vulnerable it is to the generators' duopoly. British Coal will need a market that has more than two clients.

So far, Mr Heseltine has left the question of whether to call a monopoly investigation to Professor Stephen Littlechild, the electricity regulator. And he has said he needs more time to decide. If Mr Heseltine wanted to reinforce his belief in a free energy market, he might well feel tempted to call for one himself.

There is also a new factor in energy policy which will have a growing influence on the energy balance: the environment. The introduction of a household fuel tax in Mr Norman Lamont's Budget was a brave step given the battle to save coal. But it marks the beginning of what is likely to

Introducing a household fuel tax was a brave step, given the battle to save coal

be a long-term trend to increase fuel taxation and force through greater energy efficiency. Other countries such as Germany and the US have also recently overcome long-term resistance to the idea and proposed similar measures.

All this needs to be seen against the background of last year's Rio Earth Summit and the commitments made there by the industrial nations to reduce their carbon emissions. Eventually, this could lead to an internationally agreed carbon tax, though it is yet not clear how this could come about.

The environmental factor is likely to give a fresh impetus to government interference in the energy sector. Taxation will have to be slanted to encourage use of the cleanest fuels, regulation will have to be strengthened to cut emissions, and subsidies may even have to be provided to help essential industries clean up their acts.

At the moment the most one can realistically look ahead is about five years. By 1998 the UK could have a tiny privatised coal industry producing fewer than 40m tonnes a year (less than half recent levels). Several coal-fired stations would have been closed down, and the remaining ones would be investing heavily in equipment to reduce carbon and sulphur.

Alongside these there would be a flourishing new sector of more than a dozen power stations burning natural gas (compared to only two now). The generator duopoly would have been broken up into three, possibly four, companies. Nuclear Electric might have been split into two: one half comprising new, commercially-viable nuclear stations (possibly ripe for privatisation), the other half still in state hands consisting of old, soon-to-be-retired stations with their huge clean-up costs.

On the fringes, there would be a growing number of "green" power sources such as wind and tidal, but their contribution would be symbolic rather than substantial. All this assumes the government makes rapid progress – and even then the state would be involved through nuclear power and its efforts to swing energy in an environmental direction.

The banner of free enterprise continues to adorn the government's energy policy, but Mr Heseltine still has a long road to tread.

Pressure of people to test the west

Migration has focused attention on soaring world population, writes Bronwen Maddox

Industrialised countries will be confronted with an unprecedented influx of would-be immigrants in the next few decades, putting their economies under enormous pressure. That is the message delivered by Mrs Nafis Sadik, director of the United Nations Population Fund (UNFPA), to the UN conference on European population this week in Geneva.

More than 2m immigrants are believed to have entered both Europe and North America over the past two years alone. While Poland, Hungary and Czechoslovakia have so far taken the brunt of Russians, gypsies and Romanians from the east, political chaos in Russia could intensify westward migration. This is quite apart from the pressures from the south, Mrs Sadik warned.

Migration, many UN officials and economists in Geneva argued, would be the factor spurring industrialised countries to pay more attention to the world's soaring population. Prince Charles pointed out that at last June's Earth Summit in Rio, the link between numbers of people and destruction of the natural environment was conspicuous by its absence from the agenda.

The Vatican's resistance to including population in the talks was unsurprising, but the Philippines and some Middle Eastern countries with high birth rates also proved obstructive. Environmental pressure groups, wary of telling developing countries how to manage their affairs, were also quiet.

Such reticence is difficult to understand in the light of UN population projections – one puts the world's population at 11bn in 2050, double its present 5.5bn, before it stabilises. Mr Miroslav Macura, demographer with the UN Economic Commission for Europe, reminded the conference that the total "could be anywhere from 5bn to 20bn" if fertility rates turned out to differ even marginally from the model's assumptions.

Nearly 95 per cent of the projected rise will come from developing countries, despite the considerable success of many Asian and Latin American countries in bringing down the rate of population growth in the past two decades.

India now has a fertility rate of about 4 – the average number of children per woman implied by the current birth rate – a fall of about a third in the last two decades. China, after its ferocious policy of curbing family size, has a rate of about 2.4, though that is still above the two children per woman which maintains a static population.

But across much of sub-Saharan Africa, fertility rates have been running at more than 6. Recent studies, although based on less than perfect data, suggest the Aids epidemic is cutting only 1 percentage point off population growth. Ethiopia, despite recurrent famine, still has a fertility rate of about 3.

According to Mr Fred Sai, president of the International Planned Parenthood Federation and chairman of Ghana's population council, African countries now recognise that family planning is a tool for health improvement. But the answers to restraining a high growth rate of population are not clear-cut.

Recent evidence shows that the traditional assumption that family size falls with economic progress does not always hold true. Sri Lanka, Thailand, Bulgaria and Kerala in India have all shown sharp falls in family size despite relatively low prosperity, while the Gulf states have maintained fertility rates of more than 3 during a period of sharply rising wealth.

"For every level of prosperity, you can find an enormous range of fertility rates," said Mr David Coleman from Oxford University. "The things that really bring down family size are more complex, to do with culture and education".

Contraceptive programmes do help though, the UNFPA, maintains: it called last week for the present total of $4.5bn spent worldwide on family planning programmes to double by 2000.

Immigration pressure on developed countries from growth in developing countries' population

(million)	Pop in 1991	Increase by 2005
Western Europe	379	4
Eastern Europe	124	11
Ex-Soviet Union	209	10
US	253	81
Mediterranean*	186	158
Latin America	451	289
Tropical Africa	531	826
South Asia	1,208	920

Source: D Coleman, Oxford University
*south-east Mediterranean

But even if such measures are successful, the population of developing countries will continue to surge ahead that of industralised countries. Fertility rates in western Europe now average only about 1.7 children per woman – the UK rate is 1.8. Italy and Spain have rates of only 1.2, below West German levels of 1.4, according to Ms Charlotte Höhn director of the Federal Population Institute of Germany.

The result is that pensioners will soon outnumber children in Europe and North America for the first time, the UNFPA said. Under-15s currently outnumber the elderly by a third in Europe and North America. But the number of people older than 60 has risen from 90m in 1950 to 185m today, and could reach 310m in 2025.

The idea that any resulting labour gap could be filled by immigration is disputed. Mr Coleman argued that "only about 60 per cent of the potential workforce in western Europe is actually working, and there is plenty of slack."

Past immigration can adversely affect the host country, he added. The availability of cheap labour may be one factor behind Europe's relative lack of investment in high-technology industries, he said.

It is clear from west European delegates that the increasing pressures of migration are likely to prompt a tightening of frontiers to try to preserve standards of living for their own citizens. But if the arguments that Europe does not need immigrants to maintain prosperity are right, its cultural urge to shut the doors may not have adverse economic consequences.

FT writers assess how international tourist destinations are affected by political violence

When terror takes a toll

A year ago, the Cairo Sheraton hotel was 75 per cent full. This month, 41 per cent of its rooms are occupied. Some Cairo hotels are just over a third full. One five-star hotel is charging only $28 a room.

The Gama'a al-Islamiyya, the Islamic militant group which is seeking to destabilise the Egyptian government, has deliberately targeted the country's tourist industry. Late last year, gunmen shot at tour buses in Upper Egypt, killing one British visitor. Earlier this year, two visitors were killed when a bomb exploded in a cafe in Cairo's Tahrir Square.

Mr Fouad Sultan, the tourism minister, says earnings are down by a fifth on last year. Many in the industry consider that an underestimate. The tourist ministry has hired Burson-Marsteller, the world's biggest public relations company, and Saatchi & Saatchi to help improve the country's image.

While terrorism and the murder of foreign visitors can substantially damage a nation's tourism, the effect differs widely from country to country. As Egypt agonises over how to salvage its fastest growing industry and biggest foreign currency earner, the tourist businesses of other countries have been largely unaffected by terrorist and criminal violence.

Third world destinations appear to suffer more than developed countries from attacks on tourists. Kenyan tourism was badly hit last year as a result of publicity surrounding the trial of two game rangers accused of the murder of British tourist Julie Ward in 1988, and by reports of other attacks on tourists.

By contrast, the murder of a British visitor in Florida last year had little effect on the state's tourism. Thomson, the UK's biggest travel group,

Recent terrorist attacks have had a severe impact on tourism in Egypt

said that while the depreciation of the pound against the dollar had deterred some British travellers, reports of violence had little effect.

Similarly, Egyptian tourism has been much more severely affected by terrorist incidents than the industries in the UK or the US. Despite years of widely-reported deaths and injuries from IRA bombs, the British tourist industry has suffered little long-term damage. Mr Alan Jefferson, the British Tourist Authority's international marketing director, says his offices abroad usually receive no more than a handful of calls after IRA attacks. One New York travel agent said that, while some US tourists about to leave for the UK had asked about recent IRA bombs, they had decided to go ahead with their trips.

The UK tourist industry has been more severely affected by events elsewhere. The US bombing of Libya in 1986 contributed to a 4 per cent fall in visitors to 13.9m, as Americans, fearing terrorist reprisals, stayed at home. The Gulf War resulted in tourists to the UK falling to 16.7m in 1991, from 18m the year before.

In the US, the bombing of New York's World Trade Centre last month produced "no significant cancellations", according to the city's Convention and Visitors Bureau. Airlines servicing the New York area also say that there has been very little impact on passenger traffic.

The National Parks Service reports that the number of visitors to New York attractions such as the Statue of Liberty and Ellis Island ran at about 3,500-4,000 daily during February, a typical number for the month.

While tourist destinations such as Egypt and Kenya might feel they are the victims of double standards, travel industry executives say they suffer from a perception that they are societies under siege. The futures of the US and British governments are not perceived as being threatened by violent crime or terrorism.

Although the IRA has bombed areas frequented by tourists, foreign visitors to the UK have not been specific targets as they have in Egypt. Mr Peter Kerkar, chief executive of Cox & Kings Travel, a London-based company, argues that American visitors to the UK are behaving quite logically in ignoring IRA attacks but staying at home during the Gulf War and in the wake of the bombing of Libya. "The IRA is not singling out Americans. If they're involved in an IRA incident, it's because of bad luck. In the case of Libya, Americans were a target."

One British travel industry manager points out that Florida, while plagued by violent crime, offers tourists a sense of safety, however illusory, that countries such as Kenya and Egypt do not. "America is familiar territory, where everyone speaks the same language and where half the TV programmes are the ones you see at home."

Mr Martin Brackenbury, president of the International Federation of Tour Operators, says there are a few general principles which countries can apply when attempting to limit the damage caused to tourism by violence. "The first is: never attempt to cover up. Clearly admit a problem if there is one. The second is to put in place measures which can clearly be seen to be effective," he says.

He says Kenya has responded constructively to ifto recommendations. The Kenyan government has begun aerial surveillance of game parks and has issued advice about which areas of Nairobi are considered dangerous.

Mr Martin Thompson, managing director of the London-based tour operator Abercrombie & Kent, says his business to Kenya fell to 30,000 travellers last year from 34,000 in 1991 as a result of press coverage of violence in the country. However, he expects business to return to 1991 levels this year.

The Egyptian authorities, after initially criticising the western media for what it described as a biased, exaggerated campaign, is now taking active steps to restore the country's image. It has supplied more tourist police, troops and helicopters to protect visitors at sites in Upper Egypt.

Both the government and the country's tourism industry are now hoping that this iron-fisted policy will stem the terrorist attacks. Mr Taher el-Sharif, chairman of the Egyptian Businessman's Association says: "The problem is we just don't know when this will stop – unlike the Gulf War, when we knew there would eventually be an end."

Mr Brackenbury says that once a destination is perceived as being safer, recovery for the tourist industry can be swift. "People's memories are short," he says.

Reporting by Michael Skapinker, Nikki Tait and Mark Nicholson

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Where a deflationary market is not a new experience

From M J Pritchard.

Sir, Samuel Brittan's article (Economic Viewpoint, March 25) is the first reference I have noticed in the press to the possibility of deflation.

As we are in the business of acquiring industrial land, placing building contracts and undertaking transactions on commercial properties, we have been working in a deflationary market since 1990.

We regularly receive tenders for building contracts and, without exception, the prices are now generally back to 1986 levels. Even building materials have fallen back to mid-1980s prices. Coincidentally, when one of our main clients, Sheffield Insulations, announced its year-end results (UK Company News, March 25), it was interesting to see that its statement formally acknowledges material price deflation.

The only inflation which my household witnesses is of staple commodities such as food and clothes, in addition to – somewhat surprisingly in the recession-hit south-east – school fees.

M J Pritchard,
managing director,
Commercial Relocation Consultants,
14 The Broadway,
Beaconsfield, Bucks HP9 2PD

Only having our leg pulled

From Mr Philip Jacob.

Sir, When reading John Hopkins ("Pride of Lions with an English accent", March 20) explaining his choice for the British Lions – with only two Irishmen in a squad that would include 21 Englishmen – I must confess I thought him slightly arrogant, especially as he said his selection was "strictly on merit".

Later that day, after Ireland beat England 17-3, I realised it was a leg-pull, so I apologise to him for my earlier unworthy thought.

Philip Jacob,
Abingdon,
Shankill, Co Dublin

Why consumers need financial advice

From Mr Paul Swain.

Sir, Your coverage of the two reports from the Office of Fair Trading and its reactions to the Securities and Investments Board rules on investment regulation (March 19 and March 22) have not addressed the full implications of this further blow against the independent financial adviser.

The OFT is rightly concerned with the interests of the consumer, but it is difficult to see how these interests are best served by the extermination of the IFA as a species.

Insurance has been described as a very simple business made complicated by insurance practitioners. While consumers are growing in sophistication, it is doubtful if their sophistication and the insurance industry's de-mystification are converging rapidly enough to make professional financial advice redundant.

Of course the question is, who pays for this advice and how much? The industry does not believe that it can justify its distribution costs – hence the opposition to disclosure.

The trouble is that customer resistance makes life insurance a very expensive commodity to sell. It is ironic that the less the customer wants the product the more he ends up paying when finally persuaded to buy. So why not simply leave the customer alone to buy or not if he feels the urge?

No one can justify hiding from customers the cost of advice, but perhaps the life insurance industry, and the OFT could do more to educate the public into an appreciation of the value of such advice.

Paul Swain,
director,
Insurance Solutions,
10 Granville Square,
London WC1X 9PF

Few companies are interested in the merits of older people

From Sharif Lone.

Sir, I read Marc Thompson's letter on the merits of employing staff over 45 (March 17) and would like to add some comments.

All the positive aspects of hiring "older" staff disappear when the American attitudes of budget constraints have to be taken into consideration. Somebody with a doctorate, a few years' experience and who is still under 30 and willing to start for a salary which is within the budget targets is what all the personnel managers are after. Hardly any companies are interested in the merits of older people.

And then there is the psychological handicap. In professions and cultures where confidence and achievements come with maturity, this may be easier to face, but in the society that reflects American aspirations – youth appears to be everything. What happens to them when the waist thickens even slightly, or the pace slows down...

I see companies where grey hair in the management meetings is becoming a rarity. You need to look smart, young and slim.

Lacking any of these characteristics may not be a great asset for your career.

Sharif Lone,
Castellring 58,
6369 Nidderau 1,
Germany

Health and safety burden beyond EC directives

From Mr Bryan Cassidy MEP

Sir You report that "more than half UK companies are not complying with six health and safety laws which came into force on January 1" ("Companies 'fail to meet' EC health laws", March 23). It is hardly surprising. The Health and Safety Commission failed to publish the texts of some of the new UK regulations until December 1992 – eg, Personal Protective Equipment at Work Regulations 1992, Workplace (Health, Safety and Welfare) Regulations 1992, Provision and Use of Work Equipment Regulations 1992.

Another reason for their failure to comply is that many will have realised that the UK regulations impose burdens on UK companies that go much further than the requirements of the EC directives.

Bryan Cassidy,
European Parliament,
97-113 Rue Belliard,
1040 Brussels

'Blip' that cannot be forgotten

From Mr Richard Jerram.

Sir, I was surprised to see that one of the charts used by the chancellor in his Budget broadcast showed interest rates declining steadily from 14 per cent to the current level of 6 per cent. I am sure that it is an episode he would rather forget, but I seem to remember a "blip" to this declining trend in mid-September last year.

Creating history in terms of record levels of unemployment, record length of recession, record speed in breaking election pledges, and most rapid exit from the ERM is all very well, but re-writing history is another matter altogether. Politicians may see it as their role to manipulate facts, but we cannot allow them to change the truth, however painful it may be.

Richard Jerram,
head of research,
Economist Intelligence Unit,
40 Duke Street,
London W1A 1DW

M T W T F S S

ECONOMIC DIARY

TODAY: *India's ruling* Congress Party holds national convention in Faridabab.

TOMORROW: British Summer Time begins (clocks go forward one hour). Second round of French parliamentary elections.

MONDAY: One-day conference on Bosnia hosted by the World Peace Organisation in London. Nato defence ministers meet their counterparts from eastern Europe and former Soviet republics in Brussels to discuss peace-keeping in Europe. Mr Mickey Kantor, US trade representative, meets Sir Leon Brittan, European Community trade commissioner, in Brussels. Joint European Community/African Caribbean and Pacific countries parliamentary meeting in Gaberone to discuss development, democracy and human rights (until April 2). African ministers of tourism congress in Tunis (until April 4). Preliminary figures from Inchcape and Pearson.

WEDNESDAY: Central Statistical Office announces gross domestic expenditure and research and development (1991). US factory orders (February); leading indicators (February).

THURSDAY: US construction spending (February). Multi-party democracy talks resume in Johannesburg (until April 2). Mr Chris Patten, Hong Kong governor, visits Brussels. Mr Kevin and Mr Ian Maxwell, Mr Robert Bunn and Mr Larry Trachtenberg, accused of conspiracy to defraud at City of London Magistrates Court.

FRIDAY: The Treasury publishes figures for the United Kingdom's official reserves (March). The Department of the Environment issues statistics for housing and completions during February and house renovations (fourth quarter). Mr William Clinton, US president, meets Mr Helmut Kohl, German chancellor, in Washington. NUM 24 hour strike in protest at pit closures. Rail strike threatened by the RMT transport union in protest against planned redundancies. Italy's main unions are expected to stage a four-hour general strike in protest over the cost of living.

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons	550	31	45	57	4½	25	32
(*573)	600	5	20	32	29	55	62
ASDA	67	5½	10	12½	3	7	9½
(*70)	76	2	6½	9	8½	13	15
Brit. Airways	280	10	20	27	7	24	27
(*281)	300	3	12	19	21	36	40
SmKl Bchm A	390	25	42	50	5	17	24
(*407)	420	9	26	37	19	33	37
Boots	460	23	42	52	4	18	22
(*485)	500	5	21	32	28	39	43
B.P.	300	11	24	31	6	16	22
(*304)	330	2	11	18	27	34	40
British Steel	80	6½	12½	14½	2	7	10
(*84)	90	2	7	10	8	13	15
Bass	500	57	67	77	1½	12	16
(*545)	550	13	34	47	14	30	37
C & Wire	700	35	58	72	6	30	37
(*727)	750	8	32	47	32	56	63
Courtaulds	550	16	35	45	12	33	39
(*552)	600	2	15	25½	48½	68½	71
Com. Union	580	27	50	55	4½	18	29
(*597)	628	4	24	32	33	43	55
Fisons	180	21½	29½	37	3½	15½	21
(*196)	200	8½	19½	28	11½	26½	31½
GKN	460	13	34	41	10	22	32
(*461)	500	3	16	24	40	47	58
Grand Met.	420	29	47	53	3	15	22
(*444)	460	6½	22	33	21	35	41
I.C.I.	1150	58	104	115	10	38	61
(*1193)	1200	27	74	88	29	61	85
Kingfisher	535	28	43	54	4½	23	31
(*556)	584	4½	22	32	31	51	58
Ladbroke	180	13	24	30	5	14	21
(*183)	200	3½	13	20	16	25	32
Land Secur	500	23	31	37	3½	22	24
(*515)	550	1½	9	16	37	57	57
M & S	330	14	24	31	4	13	17
(*338)	360	3	11	18	24	34	36
Sainsbury	460	27	42	52	4	16	23
(*483)	500	6½	22	33	23	40	44
Shell Trans.	550	29	47	55	3½	11	20
(*573)	600	3½	19	27	29	35	46
Storehouse	180	13	21	27	4	12	15
(*186)	200	4	11	17	13	22	26
Trafalgar	74	5½	10½	13	3	7	10
(*78)	83	2	8½	9½	9	13	15
Utd. Biscuits	390	16	33	43	7½	18	25
(*409)	420	4	18	28	26	34	41
Unilever	1150	32	72	98	11	33	43
(*1187)	1200	8½	43	69	40	58	67
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit Aero	260	25	40	51	19	31	38
(*267)	280	18	31	42	32	42	50

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA	750	56	89	85	8	22	30
(*794)	800	28	40	54	28	42	54
BAT Inds	950	48	76	88	23	37	58
(*985)	1000	24	49	60	50	62	81
BTR	550	54	65	71	4½	10	17
(*585)	600	18	32	41	18	29	30
Brit. Telecom	420	25	31	37	8	18	24
(*430)	460	6	12	18	31	42	45
Cadbury Sch	460	36	46	58	6½	14	21
(*482)	500	14	27	37	26	32	39
Eastern Elec	460	38	38	47	8	24	30
(*474)	500	10	18	27	31	48	53
Guinness	460	20	33	45	17	27	34
(*488)	500	8	16	28	48	53	57
GEC	300	13½	19	25	8	16	20
(*302)	330	3½	7½	11½	29	37	39
Hanson	220	23	25½	29½	2	4½	8½
(*238)	240	8	14	19	8½	13½	17
LASMO	160	18	25	31	9½	16	23
(*166)	180	7½	15	22	20	26	33
Lucas Inds	130	13	18	23	7	11	18
(*137)	140	7½	13	18	13	16	22
P. & O.	550	32	52	63	18	30	47
(*582)	600	11	29	41	50	60	75
Pilkington	110	13	16	25	5	9½	14
(*119)	120	8½	15	20	9	15	19
Prudential	330	12	20	27	17	22	29
(*333)	360	4	10	17	40	43	48
R.T.Z.	650	42	62	76	14	27	40
(*670)	700	16	36	50	40	55	67
Scot. & New	420	45	54	57	4	14	19
(*458)	460	16	28	34	16	33	39
Tesco	220	20	28	33	6	10	15
(*237)	240	9	17	22	16	20	25
Thames Wtr	500	52	57	61	4	13	17
(*543)	550	18	24	32	20	37	41
Vodafone	360	32	41	52	7	18	25
(*380)	390	15	25	38	22	33	40
Option		**Jun**	**Sep**	**Dec**	**Jun**	**Sep**	**Dec**
Abbey Nat.	360	30	38	45	11	18	23
(*373)	390	14	23	31	27	34	39
Amstrad	30	5	6½	8	2	3½	4
(*32)	35	2½	3	6	6½	6½	7½
Barclays	390	40	50	58	13	24	30
(*412)	420	23	34	43	27	38	46
Blue Circle	200	25	30	35	9	13	18
(*217)	220	13	19	25	18	25	31
British Gas	300	11	17	22	17	21	27
(*300)	330	3	7½	12	40	41	46
Dixons	200	26	30	36	9	15	21
(*216)	220	15	22	27	19	25	31
Eurotunnel	460	70	84	105	22	35	43
(*490)	500	43	60	80	42	55	65

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Glaxo	550	73	92	97	16	28	42
(*598)	600	44	63	72	35	51	67
Hillsdown	140	20	21	26	6½	11	14
(*154)	160	7	12	18	18	22	26
Lonrho	70	12½	15	18	4	7	9
(*78)	80	6½	10	13	7	12	14
HSBC 75p shs	600	43	62	75	32	50	55
(*621)	650	23	41	63	64	75	84
Nat Power	330	23	28	35	13	22	28
(*336)	360	8½	15½	24	30	39	34
Reuters	1350	98	135	163	46	74	80
(*1386)	1400	72	105	135	70	97	112
R. Royce	120	10½	17	22	8	11	14
(*126)	130	6	12½	17	13	17	20
Scot Power	240	23	28	32	8	13	16
(*254)	260	11	15½	21	16	24	26
Sears	100	8	11	14	6	8	10
(*102)	110	3½	7	9	13	15	17
Forte	180	24	27	32	8½	13	17
(*199)	200	11	18	22	20	24	28
Thorn EMI	850	60	74	84	20	42	50
(*880)	900	37	46	58	43	68	78
TSB	160	18	22	25	7½	12	14
(*168)	180	8½	13	17	18	23	26
Vaal Reefs	40	7½	9½	11	2½	3	5½
(*$44)	45	5	6	9	4	7	8
Wellcome	750	74	97½	114	24	38½	51½
(*793)	800	46	72	88½	47	69	74½

EURO FT-SE INDEX (*2854)

	2675	2725	2775	2825	2875	2925	2975	3025
CALLS								
Apr	184	138	95	50	34	15	6	3
May	190	158	122	92	63	42	26	15
Jun	214	174	130	100	80	58	41	30
Sep	-	220	-	160	-	109	-	70
Dec	-	265	-	205	-	155	-	110
PUTS								
Apr	5	10	18	30	55	86	127	173
May	18	28	38	55	78	107	141	181
Jun	28	35	50	68	91	118	150	186
Sep	-	65	-	100	-	150	-	213
Dec	-	85	-	130	-	175	-	225

FT-SE INDEX (*2854)

	2650	2700	2750	2800	2850	2900	2950	3000
CALLS								
Apr	213	163	116	78	44	22	9	4
May	235	181	142	107	75	50	33	18
Jun	234	194	157	122	94	69	50	34
Jul	252	212	175	142	113	100	68	50
Dec †	-	280	-	205	-	165	-	120
PUTS								
Apr	4	6½	11	22	40	70	110	155
May	15	21	31	46	68	93	125	165
Jun	22	30	43	60	80	104	136	172
Jul	33	43	50	73	92	120	140	181
Dec †	-	80	-	115	-	160	-	220

March 26 Total Contracts 22,016
Calls 13,893 Puts 8,123
FT-SE Index Calls 4,153 Puts 2,220
Euro FT-SE Calls 2,318 Puts 2,946
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	46	Ladbroke	15	SmKl Bchm A	40	■ OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	56	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	T & N	15	Shell	35
Bowater	40	GEC	22	NatWest Bank	30	Unilever	72	■ MINES	
Brit Aerospace	24	Glaxo	55	P & O Dfd	40	Vickers	9	RTZ	52
British Steel	6	Grand Met	40	Racal Elect	12	Wellcome	75		
Brit Telecom	28	GRE	15	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Year ago	High *	Low *
Govt Secs (UK)	98.34	98.50	98.60	98.99	98.85	85.63	98.04	85.11
Fixed Interest	112.02	112.14	112.27	112.64	112.94	98.75	113.83	97.15

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (6/3/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Mar 25	138.8	136.8
Mar 24	162.3	135.0
Mar 23	129.4	127.9
Mar 22	144.8	124.2
Mar 19	130.9	120.9

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Russian crisis boosts platinum

PLATINUM PRICES were given two shots in the arm this week, first by concern about supplies from crisis-ridden Russia, and then by news that the biggest producer was cutting output.

Boris Yeltsin's troubles had already pushed the price up by nearly $4 a troy ounce when Rustenburg Platinum of South Africa announced on Tuesday that it had decided to close the Boschfontein trackless mining shaft because the low level of platinum and rhodium prices had made its operation uneconomic. News of the cut, which analysts estimated would reduce production by between 140,000 and 200,000 ounces, 3.6 to 5.1 per cent of western world supply, helped the platinum price up to $357.30 an ounce before it slipped back yesterday to $355.60 yesterday, up $5.35 on the week.

With Impala Platinum, South Africa's second biggest producer, saying it was not planning, at this stage, to follow Rustenburg's lead a London dealer commented that the news was "good for $2 or $4". He added, however, that there was "some pretty stiff resistance at $358".

At the London Metal Exchange nickel prices were also influenced by the Russian crisis and the resulting uptrend was hardly dented by yesterday's news that Falconbridge of Canada had decided to cut production this year by much less than had previously been planned. The cash quotation closed at $6,095 a tonne, up $40 on the day and $147.50 on the week.

Falconbridge said it would shut its nickel mining and smelter operations at Sudbury, Ontario, for only two weeks instead of the ten. "The company has reassessed its strategy of assisting to rebalance the markets through an extended shutdown. It is now apparent that this goal cannot be achieved," it explained.

The company now plans to make the most of its advantage as a low-cost producer to compete for business in the heavily oversupplied nickel market. Stocks in LME registered warehouses, which have been swollen by metal flooding out of the former Soviet Union, rose another 798 tonnes this week to a record 86,538 tonnes.

The rest of the LME metals ended lower on the week, the biggest fall being in three months delivery copper, which closed last night at £1,465 a tonne, down £30.50 on the day and £18.50 on the week. The firmer early tone had been bolstered by the Russian factor, but gains were lost as concern about Chilean labour problems faded. A dispute over production bonuses at Chile Copper Corporation's Chuquicamata, the world's largest copper mine, ended yesterday when the company agreed to payment reviews, union leaders said.

Surging shipments from the former eastern bloc countries have also been weighing down lead prices at the LME, where the cash quotation fell in mid-week to £266 a tonne, the lowest level for six and a half years. The price recovered somewhat, closing yesterday at £2169.75 a tonne, but that was still £2.25 down on the week.

At prices like that, suggested Mr Stephen Briggs of Minerals & Metals Research Services, not one lead producer in the world was making a profit. He expected substantial production cuts to be made before long, but warned: "There will be no substantial price rise until we see a solid, sustained increase in demand".

The London robusta coffee market put in a firmer performance, though it failed in successive attempts to break back above $900 a tonne for May futures, the support level that was breached last week. Yesterday the price eased $8 to $890 a tonne, up $10 on the week.

Coffee investors were given little encouragement by the proceedings at the International Coffee Organisation council meeting in London, where little progress appeared to be being made towards agreeing a price-supporting International Coffee Agreement based on a revived export quota system.

The sugar market spent the first half of the week carrying out the price "correction" that many traders thought was overdue following the recent sustained rise. The July futures position in New York, which ended last week at a three-year peak of 12.54 cents a lb, slipped to 11.75 cents at one point before recovering to 12.13 cents in late trading yesterday. Traders said the market was still supported by supply tightness and bullish chart patterns.

Yesterday traders in New York were encouraged by a newspaper report that Cuban sugar mills had been operating at less than half their capacity in the middle of this month. Attention has been focussed on Cuba by hopeful sugar bulls since it was hit two weeks ago by the storms that swept the eastern seaboard of the US. The earlier stages in this year's price rise were chiefly influenced by drought-induced cuts in Thai crop forecasts – down from the initial 5m tonnes to 3.51m, which would be the lowest level for five years.

The cocoa market had a see-sawing week that ended with the May position exactly in the middle of its £24 trading range at £687 a tonne, down £10 on balance. It started with a sharpish retreat in response to the failure of last week's attempt to negotiate an International Cocoa Agreement with economic clauses. That fall was recovered in mid-week before the downtrend was renewed yesterday. A forecast by London trader Gill & Duffus of a 118,000-tonnes production deficit in the 1992-93 season did little to support the market.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,975	to 1,725,300
Copper	+3,425	to 354,700
Lead	+2,150	to 245,425
Nickel	+526	to 86,538
Zinc	+300	to 595,825
Tin	-95	to 18,955

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Mar 26	Day's change %	Thu Mar 25	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.10	+0.01	129.08	2.23	2.37
2	5-15 years (22)	148.37	-0.20	148.66	1.57	3.96
3	Over 15 years (8)	156.49	-0.29	156.95	1.27	3.10
4	Irredeemables (6)	179.28	-0.25	179.72	3.26	1.48
5	All stocks (60)	144.50	-0.15	144.71	1.79	3.26
	Index-Linked					
6	Up to 5 years (2)	183.49	+0.13	183.24	0.40	1.51
7	Over 5 years (12)	173.63	-0.15	173.89	0.68	1.33
8	All stocks (14)	173.82	-0.11	174.01	0.64	1.35
9	Debs & Loans (67)	128.25	-0.08	128.35	2.38	2.49

AVERAGE GROSS REDEMPTION YIELDS

			Fri Mar 26	Thu Mar 25	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.72	6.72	9.22	10.03 15/9 /92	6.33 19/2 /93
2	Coupons	15 years	7.86	7.84	9.63	9.72 1 /4 /92	7.54 18/3 /93
3	(0%-7¾%)	20 years	8.14	8.11	9.63	9.72 1 /4 /92	7.83 8 /3 /93
4	Medium	5 years	7.00	6.97	10.07	10.26 1 /4 /92	6.73 15/3 /93
5	Coupons	15 years	8.31	8.26	9.75	9.82 1 /4 /92	8.06 8 /3 /93
6	(8%-10¾%)	25 years	8.50	8.46	9.69	9.76 1 /4 /92	8.23 10/3 /93
7	High	5 years	7.20	7.16	10.29	10.50 1 /4 /92	6.89 8 /3 /93
8	Coupons	15 years	8.53	8.48	9.91	9.96 1 /4 /92	8.27 8 /3 /93
9	(11%-)	20 years	8.63	8.59	9.81	9.90 5 /10/92	8.36 8 /3 /93
10	Irredeemables(Flat Yield)		8.53	8.51	9.82	9.92 2 /4 /92	8.31 8 /3 /93
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	2.29	2.31	3.79	5.06 16/9 /92	1.82 12/2 /93
12	Inflation rate 5%	Over 5 yrs.	3.45	3.43	4.57	4.76 16/9 /92	3.36 18/3 /93
13	Inflation rate 10%	Up to 5 yrs.	1.39	1.41	3.09	4.23 16/9 /92	0.92 12/2 /93
14	Inflation rate 10%	Over 5 yrs.	3.26	3.24	4.38	4.56 16/9 /92	3.19 19/3 /93
15	Debs &	5 years	8.57	8.56	11.30	11.51 6 /4 /92	8.41 16/3 /93
16	Loans	15 years	9.38	9.37	11.01	11.22 6 /4 /92	9.14 10/3 /93
17		25 years	9.60	9.58	10.83	11.02 6 /4 /92	9.36 10/3 /93

Redundancy costs hit Hepworth

By Angus Foster

HEPWORTH, the building materials and home products company, yesterday announced a fall in profits triggered by redundancy costs and lower UK sales.

But Mr John Carter, chief executive, said most of the company's UK markets seemed to have stabilised. "Since December we've stopped receiving bad news in the UK. After four and a half years, that's a relief," he said.

Pre-tax profits fell 36 per cent from £70m to £44.8m in the year to December 31. At the interim stage, profits were 7 per cent lower at £32.8m. Shareholders were warned then that full year figures would be worse and yesterday's results were expected. The shares fell 2p to 320p.

About one third of the profits fall was due to exceptional costs of £9.2m to cover redundancies and related payments. About 500 staff in the UK and 350 in France were made redundant, reducing group numbers to nearly 8,000.

Turnover fell 5.1 per cent to £627.5m. Sales to UK customers fell most sharply, dropping some £40m to £303.7m. But sales to continental European countries increased 11 per cent to £278.5m.

Saunier Duval, the group's French-based gas boiler maker, was the best performer. Operating profits increased 14 per cent to £26.2m following strong sales in France and Spain.

The building products division, which includes clay pipes and plastic plumbing, continued to suffer from the UK recession and saw operating profits fall £1.9m to £18.7m.

Hepworth Refractories, which makes heat resistant refractory products for furnaces and kilns, reported operating profits sharply lower at £7.6m (£18.2m). Mr Carter said the fall was due to a decline in sales outside Europe and that orders improved in the final quarter.

Among other divisions, operating profits from home products fell from £16.8m to £10.6m while minerals and chemicals fell by £1.1m to £9.5m.

Net borrowings continued to fall– from £57.5m to £29.8m – because of strong cash flow and lower capital expenditure in some divisions. Gearing fell from 33 per cent to 15 per cent or, treating a convertible capital bond as debt, from 215 per cent to 135 per cent.

Earnings per share fell from 24.1p to 15.6p. Directors recommended a maintained final dividend of 9.35p to make an unchanged total of 14.85p. After paying the dividend, there was a retained profit for the year of £500,000, against £17.8m.

See Lex

Telegraph directors approve deal

By Maggie Urry

INDEPENDENT directors of The Telegraph, the UK newspaper group 68 per cent owned by Hollinger, Mr Conrad Black's Canadian company, have approved the deal to take a stake in Southam, the Canadian newspaper group. The deal is subject to a vote by the minority shareholders of The Telegraph.

A circular recommending the deal is being sent to shareholders shortly and a special meeting will be held, probably on or about April 13.

Hollinger agreed to buy a 22.5 per cent stake in November at C$18.10 a share and offered half to the Telegraph, at a the same price, costing £72.3m. The deal was going to a vote of shareholders when Power Corporation, another Canadian company, bought new shares in Southam at C$14 each representing 18.7 per cent of the company and diluting Hollinger's holding to the same level. Hollinger and Power also came to a shareholder arrangement.

Sir Frank Rogers, deputy chairman of The Telegraph said the directors unanimously approved the deal.

Mr Tony Hughes, finance director of The Telegraph, said the deal would still be slightly dilutive of The Telegraph's earnings as the benefit of the extra money Southam was getting would offset the dilution of the Hollinger stake.

Sir Frank said that the combined Hollinger, The Telegraph and Power stake of 37 per cent and the right to nominate six directors to the Southam board, would give them influence to "improve Southam's newspaper assets and enhance shareholder value".

BM heads for £30m loss and sharply higher debts

By Jane Fuller

BM GROUP, the construction equipment group that has lost nearly 90 per cent of its market value since last June, is heading for a pre-tax loss of at least £30m this year and much bigger-than-expected debts.

The bad news and a survival plan will be announced shortly, alongside results for the six months to December 31.

The interims are expected to show a slide in pre-tax profit from £17m to about £8m as sales have fallen 10 to 15 per cent below budget. The interim dividend, 2.1p last time, is likely to be cut.

But the impact of a root-and-branch review being carried out under new chairman Mr Moger Woolley will be felt in the full-year figures, which in 1991/92 showed a record pre-tax profit of £34.6m on sales of £519.5m.

By the June year-end, the group is expected to breach banking covenants on interest cover – which is supposed to be three times – and on gearing.

The latest estimates are that interest costs of roughly £15m will reduce profit to less than £10m before £40m of exceptional charges. About £13m of these have already been announced following the disposals of the lossmaking Blackwood Hodge UK and Spain.

Other costs include extensive restructuring and redundancies at Blackwood Hodge Canada, at Benford, the Warwickshire-based manufacturer, and at Wadkin, which makes woodworking machines.

Tax, dividends and further balance sheet reductions, including a write-down in the value of the pension fund, are set to reduce shareholders' funds from £171m to about £120m. Net debt is expected to be at least that, compared with £61m last June, giving gearing of 100 per cent plus.

The survival plan includes slimming down the group to less than £400m turnover. Among the planned disposals are a 75 per cent stake in British Building and Engineering Appliances.

BM grew rapidly under its founding chairman Mr Roger Shute, who resigned through ill health last June, precipitating the share price collapse. BM had acquired two troubled companies in the previous two years, Blackwood Hodge in November 1990 and Thomas Robinson in January 1992.

Market value peaked at nearly £460m early last year. At last night's closing price of 47p it was about £52m.

Mr Woolley was appointed last October and brought in Robert Fleming as financial advisers and Price Waterhouse as auditors to help conduct the review.

CRP Leisure shares suspended

By Paul Taylor

SHARES in CRP Leisure, the USM-quoted public house refurbishment company formerly called PE Kemp, were suspended at 7½p yesterday at the company's request, pending an announcement.

Yesterday's request for the suspension is understood to have followed the acquisition by a small group of shareholders of the 78 per cent stake in the company formerly held by Gatedene Developments.

The new shareholders are believed to be planning a refinancing, including a rights issue, which is likely to be announced on Monday.

Last month, the group warned of financial difficulties at its CR Pursehouse subsidiary acquired a year ago, compounded by a sizeable bad debt on a building contract.

Helene makes recommended £5.5m paper bid for Gabicci

By Catherine Milton

HELENE, the clothing distributor, yesterday launched a £5.5m recommended bid for Gabicci, the USM-quoted casual clothing group.

The all-share bid, which offers 2.043 new Helene shares for every Gabicci share held, was recommended by a majority of the Gabicci board. Helene has also received undertakings to accept from some Gabicci directors and institutional shareholders, who together hold 30.1 per cent of the company.

However, two Gabicci executive directors are opposing the offer and criticised the absence of a cash alternative.

Last month Gabicci's share price rose from 33p to 47p following the two groups' admission of merger talks. The offer values Gabicci shares at 48p, a 45 per cent premium to the price before merger speculation began. Gabicci closed up 1.5p on the day at 42.5p and Helene stabilised at 23½p.

The dissident directors said that the two groups were not a good fit and Helene's financial position was weak. They said Helene has net assets per share of about 5p compared with Gabicci's 60p.

One analyst said Helene's £4.58m placing last June meant it was unwilling to offer cash to Gabicci's shareholders and that Gabicci, which has suffered in the recession, had been looking for an offer for more than a year. The deal would strengthen Helene's weak balance sheet, the analyst said.

Both companies released results yesterday. Gabicci announced pre-tax losses of £476,000 (£538,000 profits) for the six months ended December 19.

The group made an exceptional charge of £537,000 which included the costs of abortive merger talks and a provision for a bad debt. The charge also covered a severance payment to Mr Michael Abrahams, former managing and finance director.

Turnover fell to £10.6m (£11m). Losses per share were 3.3p (3.1p earnings) and the interim dividend has been omitted (1.4p).

Helene reported pre-tax profits for 1992 of £3.01m (£2.61m) on turnover of £76.8m (£73.5m). There was an extraordinary charge of £412,000 (£737,000) relating to the liquidation of Major Minor Childrenswear. The recommended final dividend is 1.36p (same) giving a maintained total of 2.01p out of earnings of 2.39p (2.48p).

Trimmer HTV seeks alliances

By Raymond Snoddy

HTV, the independent television company for Wales and the west country, has set itself the target of creating a number of strategic alliances with international broadcasters.

Talks have already begun and the company, which yesterday announced a pre-tax loss of £2.1m for 1992 after an exceptional £3.77m charge, would like to attract both a US and a continental European minority investor.

The aim would be partly defensive – ITV companies become liable for takeover from the beginning of next year – and partly to expand programme production.

Mr Louis Sherman, chairman, said the year had been "most difficult" both for HTV and the commercial television industry.

The company's operating profit increased by 9 per cent to £5.4m on turnover of £183m (£172m). The pre-tax loss compared with profits of £441,000. When announcing the 1991 results Mr Sherwood had said that he expected "a significant recovery in 1992."

The exceptional item related mainly to redundancy and restructuring costs.

Losses per share deepened to 2.7p (0.5p) and there is no dividend (3.75p).

The cost savings, which would continue, have included the merging of the Wales and the west divisions, salary reductions and the casualisation of most of the technical areas of the company.

In the broadcasting division there are 413 staff compared with 599 at the end of 1991.

An extraordinary £8.7m was partly to reduce exposure to further losses in the Fine Art division. HTV is trying to sell 10 non-television businesses, including those involved in fine art.

The shares fell 8½p to 29½p.

GPG acquires Brown Shipley

By Jane Fuller

GUINNESS Peat Group, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley, is taking over Brown Shipley Holdings, the investment and broking business, in an agreed bid which values BSH at £5.6m.

GPG has reached agreement with Kredietbank Luxembourgeoise, previously BSH's largest shareholder, to buy its 29.8 per cent stake for 35p a share. GPG has already acquired 29.9 per cent of the equity.

It is also paying £1.8m to KBL to settle claims against BSH.

KBL was the original bidder for BSH in February. It offered 30p a share after potential claims emerged against BSH amounting to £2.4m. These arose from indemnities given to KBL when it bought Brown Shipley and Co, BSH's banking arm, last year.

The claims threatened to reduce BSH's net assets to less than half the £16m called up capital. Brown Shipley's share price slid from 51p after the claims were revealed and KBL launched its offer.

KBL said: "When someone was prepared to make a higher offer and settle the claims, this was a more than acceptable solution."

GPG regained its stock market listing in November after a suspension lasting nearly two years. It has investments in about 25 companies, the largest being Tyndall Australia, a life assurance company.

In the 15 months to December GPG made unaudited pre-tax profits of £7.8m and had shareholders' funds of about £49.5m.

BSH made a £27.1m pre-tax loss in 1991-92. In the six months to September it made a loss before tax, exceptionals and non-banking interest of £839,000.

Spring Ram finance director likely to come under pressure

By Jane Fuller

SPRING RAM, the kitchens and bathrooms group which surprised the market with profits a third below expectations, is holding a crucial meeting on Monday to review the board and the position of the auditors, Arthur Andersen.

Pressure is strongest on Mr Stuart Greenwood, who came to the group two years ago as its first finance director.

Spring Ram has delivered two nasty surprises to shareholders in the past five months.

False accounting was discovered at the Balterley Bathrooms subsidiary last year and disclosed belatedly and 1992 profits were £26.2m when £39m was expected.

A profit warning came only four days before the results were due, after much haggling with the auditors. Accounting methods were at the heart of the shortfall.

Some observers, however, see Mr Greenwood as a scapegoat and point to the ultimate responsibility of Mr Bill Rooney, chairman and in effect chief executive.

Some shareholders have suggested that the roles should be split and are urging the company to step up efforts to appoint two non-executive directors.

Shareholder criticism of Mr Rooney is, however, tempered by a desire "not to throw the baby out with the bathwater". He oversaw the growth of pre-tax profits from £1m in 1982 to £36.2m in 1991.

Mr Rooney's explanation of the results disappointment included: "We have been trying to beat recession for four long years and perhaps we have been stretching too far." He said it was strange for the company to be "so prudent and so conservative".

He told investors on Monday that the more rigorous accounting represented a clearing of the decks,

Apart from the loyalty he commands in the company, there is a fear that, as one shareholder put it, "a new face at the top would lead to the inevitable kitchen sinking next year".

Fenner warns of attributable loss

By Nathalie Lemoine

SHARES IN Fenner fell sharply from 87p to 65p yesterday, after the Hull-based engineering group warned it would make an attributable loss for the six months to February 28.

The group expects to break-even at the pre-tax level after charging exceptional items due to professional charges related to aborted merger talks held four months ago, and to further redundancy costs.

In spite of profit from disposals, a substantial charge for tax on overseas earnings and minorities will result in an overall loss, the group warned. On present trends, prospects for the full year are unlikely to produce a profit for ordinary shareholders, the group said.

Despite cost cutting measures on the UK manufacturing side, trading has continued to deteriorate in the distribution networks, particularly in continental Europe where the group suffered a 20 per cent fall in demand during the last three months.

The current uncertainty over the proposed UK pit closure programme also had an adverse impact, said the group, which last year made less than 7 per cent of its sales to British Coal.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglia TV	int	6.4★	Apr 5	6.4	9.26	9.26
Blick	int	3.3♥	Apr 5	3	-	9.2
Brake Brothers	int	4.35★	Apr 3	4.1	6.2	5.75
Gabicci §	int	nil	-	1.4	-	2
Garton Engineer	fin	3	July 1	5.25	4	7
Gent (SR)	int	0.75♥	Apr 2	0.75	-	2
Grampian	int	3.8★	Apr 5	3.8	5.5	5.5
GR (Holdings)	int	0.4	May 27	0.4‡	-	2‡
Haggas (J)	int	1♥	Apr 5	1	-	3
Helene	fin	1.36†	July 29	1.36	2.01	2.01
Hepworth	fin	9.35†	July 5	9.35	14.85	14.85
HTV Group	fin	nil	-	2.25	nil	3.75
Moorfield Ests	fin	nil	-	0.1	nil	0.1
Portmeirion	fin	5.5	May 28	5.1	7.75	7.35
Town Centre Secs	int	1.1♥	Apr 2	1	-	3.1
UDO Holdings	int	2.07	May 21	1.94	-	6.7
Watts Blake	fin	8	July 1	6.6	10.7	9.3

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★Second interim in lieu of final. ♥Payment date brought forward. ‡Excluding special of 25p.

Portmeirion up to record £3.7m

Steady investment in modern and flexible production facilities helped Portmeirion Potteries (Holdings) lift pre-tax profits by more than 40 per cent, from £2.61m to a record £3.67m, in 1992. Sales grew 10 per cent to £22.5m.

Earnings per share were 22.67p (16.68p) and the final dividend is 5.5p for a total of 7.75p (7.35p).

Mr George Hesp, managing director, said 1993 had started encouragingly with the value of first quarter orders above that for the same period in 1992.

Purchases boost Watts Blake

By Angus Foster

WATTS Blake Bearne, the clay producer where three large shareholders are looking to sell their 45 per cent stake, yesterday announced a 28 per cent profits increase helped by acquisitions in the US and Europe.

Pre-tax profits increased from £5.67m to £7.25m in 1992. At the interim stage, profits were 7 per cent higher at £3.74m.

Mr John Pike, managing director, said the figures were "very pleasing. With a sale of our shares in the balance, its nice to produce results rather against the trend in our industry," he said.

The three shareholders - Ceramics Holdings, Sibelco and Quarzwerke - are all private companies controlled by overseas interests. They said the shares were for sale in January. Since then no further announcements have been made.

Mr Pike said the situation was unsatisfactory since the sale did not involve the company.

Turnover increased 14 per cent to £69.8m (£61.4m) with all markets except the UK recording stronger sales. In the US turnover doubled because of acquisitions.

Watts uses average exchange rates and sterling's fall in value compared to the D-Mark led to exchange rate gains of about £200,000. Exchange rates should continue to help the company this year, Mr Pike said.

Watts, which is the world's largest supplier of ball clay, revalued its mineral reserves during the year with the result that a surplus of £15.9m over book value was added to reserves.

Earnings increased by 22 per cent to 23.1p (18.9p). A final dividend of 8p gives a total of 10.7p (9.3p), a 15 per cent advance.

The shares were unchanged at 445p.

John Pike: considered stake sale situation to be unsatisfactory

● COMMENT

Results ahead of expectations and a timely asset revaluation should raise the asking price for the three shareholders' stake - if a buyer can be found. One has to assume the three went public with their sale plans only after failing to induce any buyers to come forward privately. Further, the fact no one appears to have expressed interest since the shares were put on the market two months ago suggests either the asking price is too high or no one wants effective control of the company. Either way, the situation is unhelpful for management and employees who are very much out of the loop. For shareholders, however, there is no harm holding on. Forecast profits for this year of £8m put the shares on just over 17 times. That is not demanding given Watts' hold over its markets and the outside chance a bid will eventually come through.

Brown and Tawse plans will leave £20m loss

By Hugh Carnegy

A FAR-REACHING management shake-up and a restructuring plan costing more than £12m that will push losses in the year just ending to almost £20m was announced yesterday by Brown and Tawse Group, the troubled steel and pipes distributor.

Mr Gilbert Black, chairman for more than five years, is standing down, along with Mr Edwin Hartley, managing director of Brown and Tawse Ltd, the core company.

The new non-executive chairman is Mr Donald McFarlane, chairman of Senior Engineering and James Dickie. Mr Richard Wilson, who joined as group chief executive from GKN last year, is also to take over day-to-day charge of Brown and Tawse Ltd and has brought in Mr Richard Hunt from Courage and Mr Robin Gigsby from GKN to head the group's logistics and commercial operations.

The company said it was expecting a pre-tax loss for the year to March 28, 1993, of around £19.8m, the third year in a row the group has shown a loss. An £8.9m trading loss was expected, after charges for a business review and nearly £2m in increased stock and debtor provisions.

Other exceptional charges will total £10.9m, including £5m to cover writing off an information systems infrastructure installed at Brown and Tawse Ltd only four years ago, but which is now deemed inappropriate. Mr Wilson said the group would now focus on Brown and Tawse Ltd, which would be heavily restructured.

National Express beats float forecast with £6.8m

By Paul Taylor

IN ITS FIRST results since flotation in December last year National Express, the coach service operator, reported pre-tax profits of £6.82m for 1992 on turnover of £120.6m. When it came to the market profits of £6.5m were forecast.

The profit compared with a proforma loss of £1.2m loss in 1991 after exceptional costs of £5.5m. Earnings per share for 1992 came out at 16.8p, compared to a flotation forecast of 16.1p.

Turnover on continuing activities increased by 3 per cent to £117.1m (£113.8m).

Mr Ray McEnhill, chief executive, said the improvement in profitability came despite very difficult economic conditions, which affected most parts of the business.

The core NEL inter-city scheduled coach business was hardest hit by the recession which has adversely affected many of the company's traditional customers. Passenger journeys fell by 11 per cent from 11.8m to 10.5m.

The passenger decline also reflected the company's policy of eliminating unprofitable parts of the route network and the "increasingly aggressive competition from British Rail".

However NEL's operating profits were almost unchanged at £4.5m (£4.6m) helped by a 6 per cent fare price increase in April and a cost cutting programme which in turn led to a 10 per cent reduction in the workforce early this year.

The company is in the middle of a £5m improvement programme including renovations of the Birmingham and Liverpool coach stations, introducing a computerised reservation system and installing coach-to-base communications systems.

Eurolines (UK), the UK member of a pan-European grouping of coach operators, managed a strong performance with turnover up by 13 per cent to £15.1m (£13.2m) and operating profits increasing to £1.1m (£1m).

Airport Coach Services, acquired in October 1991, reported an operating profit of £700,000 (£100,000 proforma loss) on turnover of £6.8m (£6.1m).

● COMMENT

National Express is wisely investing in upgrading its coach station and reservation system infrastructure, both necessary if it is to squeeze more margin out of its low budget passengers. Investing in technology and replacing the antiquated paper system should produce early savings since NEL will no longer have to pay agents 50p per passenger reservation. However margins in the UK long-distance coach market are thin and passenger numbers are unlikely to rise much in 1993. Pre-tax profits this year could rise to about £7.4m. In the meantime the group has up to £10m of spare cash in its balance sheet, even after NEL's upgrading programme, and acquisition(s) in related areas look very likely this year.

Closure provisions put Lec in £2.9m loss

By Hugh Carnegy

LEC Refrigeration, the Bognor Regis-based refrigerator manufacturer, is to close its compressor factory at the end of May, with the loss of 360 jobs, in response to continued weak demand and low margins in the UK market.

Lec made the announcement as it reported a £2.86m before-tax loss in the year to December 31 compared with a £1.2m profit.

The figure was struck after an exceptional charge of £2.46m to cover the cost of the redundancies and restructuring resulting from the closure of the compressor plant, which produced 30,000 units a year. Lec will instead be supplied by Danfoss.

Mr Don Durrant, finance director, said EC directives on energy efficiency were "the last straw" in forcing the closure. The cost of upgrading its compressors to meet EC standards was too great to allow profitable production on the scale of the Bognor plant, he said.

The results also suffered from a fall in demand, hit particularly by continued recession in the housing market.

Turnover was pushed down by 15 per cent from £48.4m to £41.1m. What the company called extreme pressure on margins led to an operating loss of £397,000, compared to a £1.2m operating profit.

Mr Durrant said Lec saw little sign of a sustained upturn. "Until people start moving house, the cream will not come back into the appliance market," he said.

The company added that there had been a small increase in sales and some signs of a pick up in the housing market.

Earnings per share plunged from 13.28p to losses of 31.94p. A reduced final dividend of 5p is recommended for a full year dividend of 9p, compared with 14.5p.

Microvitec cuts loss to £2.1m

By Alan Cane

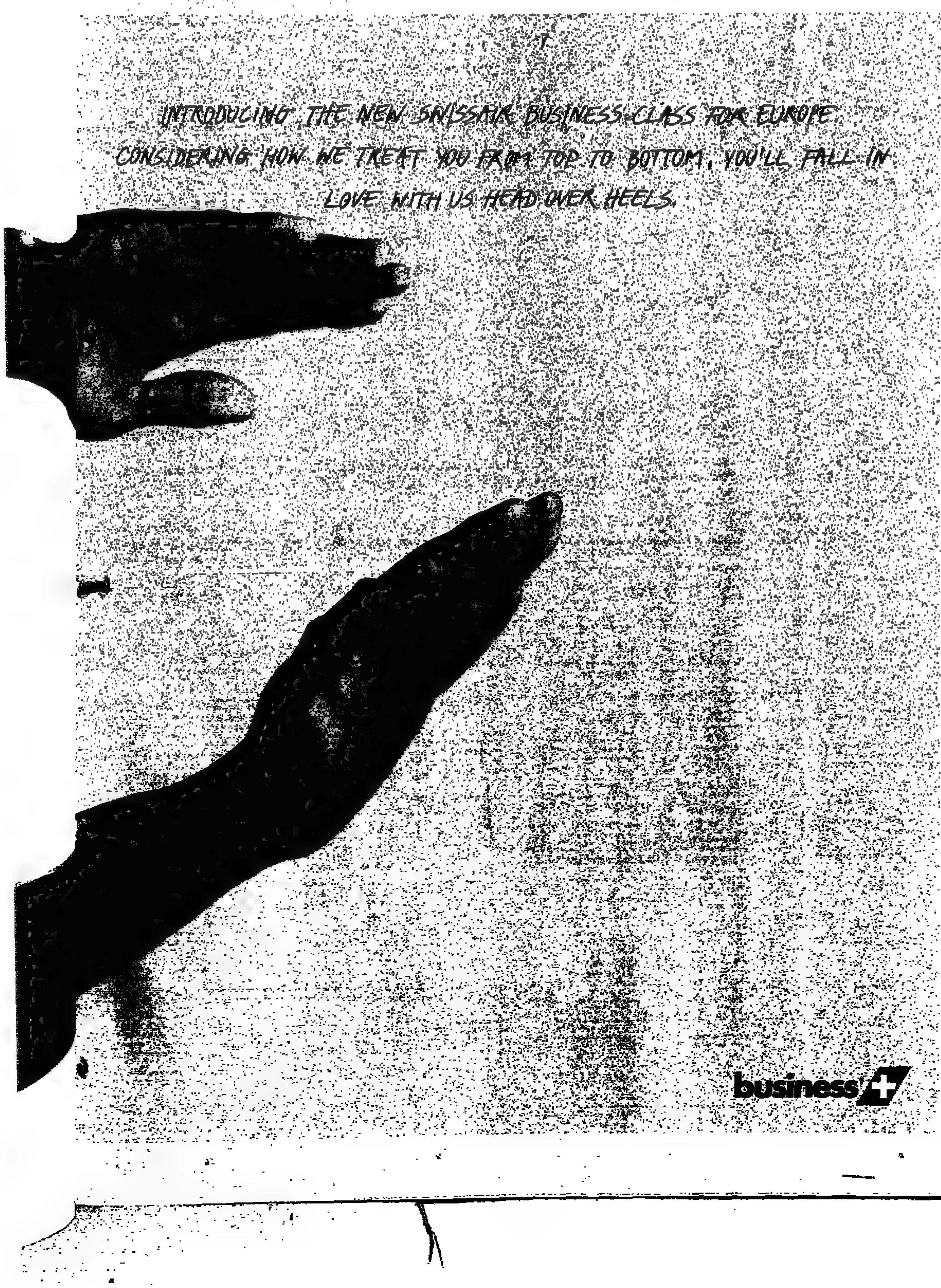
MICROVITEC, the Bradford-based computing services company, slipped back into the red to £2.14m pre-tax for the whole of 1992 after an encouraging first half, dragged down by operating losses of £1.6m in its Logitek distribution business. The result, however, compared with pre-tax losses for 1991 of £3.85m.

Logitek was sold to its management in January this year for £2.5m in cash, enabling gearing which had been running at about 80 per cent for the past two years, to be reduced to betwen 40 per cent and 50 per cent.

Turnover increased by 35 per cent from £36.9m to £49.9m in 1992. It was made up of £30.2m from continuing operations in the company's core areas of computer displays, multimedia, services, software applications and communications and £19.7m from the now discontinued distribution business.

Mr James Bailey, chairman, said: "It is my belief that the continuing businesses will continue to perform well and be cash generative through 1993. We have survived this most damaging three year recession and can now, with a strong business base, look forward to benefitting from any recovery in economic activity". Loss per share was given as 3.4p against 5.3p.

There were operating profits from continuing operations this time of £21m (£2.53m losses) while discontinued operations incurred much higher losses of £2.51m compared with £634,000.



First Spanish Trust in move to reduce discount to net assets

By Philip Coggan, Personal Finance Editor

THE FIRST Spanish Investment Trust has put forward proposals designed to reduce the discount to net assets at which its shares trade.

The complex plan involves replacing four-fifths of the share capital with convertible loan stock. Investors will then be entitled to tender their convertible stock; the trust is likely to repurchase the stock at a price which will probably be equal to 95 per cent of the fully diluted net asset value.

This will enable some investors to realise their holdings for cash. At the same time, the net asset value of the remaining shares will be enhanced.

Investors will be able to tender all their holdings in the initial offer. In subsequent tenders, investors will be able to tender a proportion of their holdings, based on the discount to net asset value at which the loan stock is trading.

The wider the discount, the more stock investors will be able to tender. Any convertible stock not tendered will be repaid in 1997.

The manager, Lloyds Bank Fund Management, is cutting its fee from 1.25 per cent to 1 per cent of gross assets, but adding an incentive if it outperforms the Spanish index.

First Spanish was trading at a 19 per cent discount to net assets in November, when the trust announced it was considering restructuring proposals. The discount has narrowed to 11 per cent.

The plan needs 75 per cent approval of shareholders and warrantholders at an extraordinary general meeting. Investors holding 28.4 per cent of the equity have already undertaken to vote in favour.

Campaign against Clark sale

By Peggy Hollinger

A CAMPAIGN against the sale of C&J Clark is being organised by members of the family which has controlled Britain's largest shoe manufacturer for 167 years.

Many members of the family and the company's employees are believed to object strongly to the recommendation by a majority of the board that Berisford, the property and agribusiness group, be allowed to bid for the company.

Meanwhile, the four directors who have opposed the tender process yesterday presented a series of alternatives to allow Clark's to remain independent, yet provide an exit for those shareholders seeking to sell their stakes.

Berisford beat rivals Fli, the UK shoe manufacturer which was offering £156m, and a consortium of existing shareholders, backed by Electra Investment Trust, to win the recommendation with its estimated £160m bid.

The bid from Berisford has sparked fears among employees of widespread redundancies, while many members of the family feel an obligation to the company's Quaker inheritance and its UK manufacturing operations.

Berisford, for its part, has said it remains committed to shoe manufacturing in the UK, although Clark's must operate in an internationally competitive environment.

Advanced dividend payments

Due to the tax changes announced in the Budget the following companies have issued revised dividend information:

Anglia Television paying a second interim of 6.4p in lieu of the already reported final.

Blick is paying an increased interim of 3.3p (3p) earlier than the usual June announcement and September payment.

Brake Brothers is making its dividend announcement for 1992 early, paying an second interim of 4.35p in lieu of a final for a total of 6.2p (5.75p).

SR Gent has brought forward the payment of its already reported interim dividend of 0.75p.

Grampian Holdings is announcing its 1992 dividend early with a second interim of 3.8p making an unchanged total of 5.5p.

John Haggas has brought forward the payment of its interim dividend of 1p.

Town Centre Securities has replaced its announced interim dividend of 1.1p with a special payment of 1.1p with an earlier pay date.

Meanwhile **Erskine House** is expecting to pay only a nominal final in addition to the interim of 2.3p already paid. Maintaining the payment would have resulted in further unrelieved ACT and the board has decided to conserve cash to reduce borrowings.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants	½		-	-	-	-
20	F.P.	-	26	21	[illegible]	21½		[illegible]0.75	2.7	4.7	10.6
100	F.P.	-	180	153	David Lloyd Leis	176	-5	[illegible]1.95	4.6	1.5	17.0
100	F.P.	-	104	98	Fer & Col US Smlr Co's	103		-	-	-	-
-	F.P.	-	44	30	Do. Warrants	41		-	-	-	-
61	F.P.	-	84	62	Int. Food Machinery	79	-1	-	-	-	-
§210	F.P.	-	290	262	Motor World	278		[illegible]	2.5	3.0	17.2
100	F.P.	-	100	96	Pilot Inv. Trust	98½		-	-	-	-
-	F.P.	-	28	21	Do Warrants	27		-	-	-	-
100	F.P.	-	105	102	Schroder Spl Fd Inc	103	-1	[illegible]8.75	-	8.7	-
20	F.P.	-	21	19	Do. Cap	20		-	-	-	-
100	F.P.	-	101¾	99	Do. Zero Div. Pf.	[illegible]	-½	-	-	-	-
25	F.P.	-	26¼	25½	Warrants & Value Tst	25½		-	-	-	-
110	F.P.	-	141	125	Yorkshire Food	125	-3	[illegible]2.88	2.6	3.1	14.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	117½p	102½p	[illegible] (ex-div)	111p	-1
100p	F.P.	-	122½p	115½p	Bristol Water 8¾pc Pf	115½p	-½
100p	F.P.	-	112½p	105½p	Commercial Union 8¾pc Cn. Pf.	105½p	-½
100	F.P.	-	114⅛	109⅞	NFC 7¼pc Cv. Bd. 2007	109⅞	
100	F.P.	-	125½	123½	[illegible] 7¾pc Cv. Uns. Ln. 2028	123½	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
42	Nil	14/5	20	18	BBA	18	
62	Nil	21/5	5pm	2pm	BSG	2pm	
405	Nil	23/4	73pm	62pm	British Polythene	73pm	+2
44	Nil	10/5	2pm	1½pm	Clyde Petroleum	2pm	
28	Nil	7/4	24pm	6pm	‡Cupid	8pm	-1
230	Nil	21/4	47pm	40pm	Gold Greenlees Trott	47pm	
17	Nil	7/4	11pm	3pm	Lopex	6½pm	
225	Nil	6/5	35pm	34pm	Pendragon	34pm	
65	Nil	23/4	40pm	22pm	Vickers	30pm	+3
45	Nil	23/4	12pm	8pm	WPP	9½pm	-2

b Figures based on prospectus estimates. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings March 22
- Last Dealings April 2
- Last Declarations July 1
- For settlement July 12

3-month call rate indications are shown on page 10.

Calls in Aitken Hume, Arcon Res., Brent Walker Pref., Crest Nicholson, Erskine House, Ferranti, Hanson, Hanson warrants, Higgs & Hill, Medeva and J.D. Wetherspoon. Puts in Aitken Hume and Amber Day. Double in Ferranti.

SAS pushes on with four-airline merger talks

By Hilary Barnes in Copenhagen

SCANDINAVIAN Airline System (SAS) confirmed yesterday that a merger of four of Europe's medium-sized airlines – SAS, KLM, of the Netherlands, Swissair and Austrian Airlines – is under consideration.

However, it denied that a decision has been taken and said a merger was one of several forms of co-operation being studied by working groups set up by the airlines.

SAS was responding to reports in the Danish media claiming that the managements and boards of the four airlines had already agreed on the principles of and a timetable for a merger.

The four airlines have 87,000 employees and carried 30.6m passengers in 1991, more than either British Airways or Lufthansa.

The four airlines are planning to transfer their assets to a jointly-owned company in which SAS, KLM and Swissair will each hold 30 per cent and Austrian Airlines 10 per cent, according to a press report. The board of the new company will have 14 members, four each from the three larger airlines and two from Austrian Airlines. The new company will own four operating companies, which will fly under a common logo, with common colours and flight schedules and a joint headquarters, the report added.

Starting date for the co-operation is next new year, said the paper, but there would be a transitional phase before the merger was completed.

Mr Jan Carlzon, SAS chief executive, is a long-standing proponent of transnational airline co-operation to enable European airlines to compete with the large American and Asian carriers when the European air transport market is liberalised in coming years.

The plans for extensive co-operation between the SAS, KLM, Swissair, and Austrian Airlines, made known earlier this year, have met with scepticism in Copenhagen, where the Danish capital's Kastrup International Airport is the hub airport for SAS.

Distiller is reviving the spirit of Hungary

By Philip Rawstorne

AFTER more than 40 years in exile, Mr Peter Zwack is back in Hungary making the liqueur which five generations of his family developed into the country's most popular drink.

Zwack Unicum, a blend of more than 40 herbs and spices, was introduced in 1790. Known as "the stomach fortifier," it became a favourite tipple at the court of the Habsburgs, and between the world wars won increasing recognition in international markets.

Mr Zwack intends to restore the company to its pre-communist eminence in the international spirits markets, with its liqueur, drunk as an aperitif or a digestive, ranked alongside the Underberg and Fernet Branca brands.

Next month, Zwack plans a public offering of 25 per cent of its shares. Negotiations are also well advanced for the sale of a further 25 per cent stake to an unnamed international spirits group.

The Hungarian company, with a market capitalisation of about $50m, will be listed on the Budapest and Vienna stock exchanges.

Mr Zwack, in London yesterday to meet potential investors, said the group would increasingly concentrate on the production of high quality branded products and developing its exports.

The public offering of 500,000 shares, which is being handled by Creditanstalt Securities, should raise 1bn-1.25bn forints ($11.6m-$14.5m). Forty per cent of the shares are expected to go to Hungarian investors, and the rest to international institutions.

Mr Zwack and Mr Emil Underberg, owner of a German spirits company and partner in the purchase of Zwack from the state, will retain majority control. Having waited since 1948 to regain his heritage, Mr Zwack has no intention of losing it again.

When the communists seized the family's distilleries in 1948, Peter Zwack fled the country with the secret recipe for the liqueur, settling first in the US and later in Italy.

He was one of the first Hungarian businessmen to return home as the communist regime crumbled in 1989.

Within a year, the partners restarted production of the liqueur, and in 1991, they bought the state-owned Budapest Liquor Company, the country's largest spirits producer, which had been making its own version of Unicum.

Gerstner delivers blow to RJR Nabisco

By Nikki Tait in New York

THE DEPARTURE of Mr Louis Gerstner to IBM, comes at a testing time for RJR Nabisco, which he has chaired since the record $25bn buy-out of the food and tobacco group in early-1989.

RJR Nabisco is in the throes of a complex "targeted stock scheme". This should create a new class of shares pegged to the fortunes of its food business. The existing shares will then be renamed, and largely track the performance of the tobacco operations. In the process, RJR Nabisco – still carrying a $14bn debt load – hopes to raise $1.5bn.

The scheme, with the Securities and Exchange Commission for review, must then be marketed to the investment community, and the $1.5bn-worth of new "food" shares sold.

At the same time, investors have been increasingly twitchy about the declining RJR Nabisco share price and lack of visible progress in the company's large domestic tobacco business. The annual shareholders meeting is set for April 2. "The situation," as one analyst put it, this week, "is delicate".

So ever since Mr Gerstner started to emerge as front-runner for the IBM job, the consumer products company has hinted privately that the chairman's shoes would be filled internally. This would minimise upheaval and lessen uncertainty. In fact, within an hour of the IBM news, RJR Nabisco made its own management position clear. Mr Lawrence Ricciardi, the group's general counsel, and Mr Karl von der Heyden, finance director, are to become joint co-chairmen and chief executive officers, while retaining their legal and financial responsibilities. Management of the operating divisions will be unaffected.

This is, indeed, a simple solution. RJR Nabisco has been run, at corporate level, by Mr Gerstner and three executive vice-presidents – Mr Ricciardi, who followed Mr Gerstner from American Express, Mr von der Heyden, and Mr Eugene Croisant, head of human resources and administration.

The speedy "joint chairmanship" announcement also pre-empts internal wrangling. The question, however, is whether the two chairmen will produce the long-term leadership and vision which a large consumer products company, operating in some difficult and competitive markets, needs.

Mr von der Heyden, 56, has well-regarded track-record, having been finance director of H. J. Heinz and vice-president of manufacturing at Pepsi-Cola Bottling. Mr Ricciardi, 52, had 16 years experience with American Express. But, in a tricky situation, everything has yet to be proved.

Securities boost Commerzbank

By David Waller in Frankfurt

SECURITIES trading helped total operating profits at Commerzbank, Germany's third largest bank, climb by 10.2 per cent during the first two months of the year, Mr Martin Kohlhaussen, the bank's chief executive said yesterday.

Partial operating profits – which do not include any contribution from trading – were at the same level as last year.

Net interest income rose 8.6 per cent in January and February, while fee income rose 14.8 per cent.

The growth in profits in the early part of the year shows that Commerzbank, like other large German banks, is still maintaining some immunity to the worsening economic environment in Germany. For last year as a whole, Commerzbank posted operating profits up 20.7 per cent to DM2.2bn ($1.34bn), as disclosed in January when the bank announced a DM500m rights issue.

Despite what Mr Kohlhaussen called an "encouraging" start to 1993, he refused to be drawn on the outlook for the bank during the rest of the year. He confined himself to the remark that German banks as whole were concerned about the future in the light of German economic downturn, and that there had been a deterioration in the "morale" of borrowers.

The bank's caution was shown by its decision not to increase its 1992 dividend beyond the DM10 per share paid in 1991, and in sharply increased provisions against poor quality sovereign loans and bad and doubtful commercial debts.

The bank has provided against its overseas exposure to the Olympia & York property group and Hafnia, the Danish insurer, which totals DM830m. Total provisions against sovereign debt rose to more than 75 per cent of the total DM5.9bn, whilst provisions were raised to cover more than 90 per cent of ex-Soviet debt.

Total provisions, together with write-downs on securities, rose from DM1.05bn in 1991 to DM2.09bn last year. As revealed last week, net earnings for the year rose 53 per cent to DM838m, the surge reflecting the impact of the consolidation of the bank's Berlin subsidiary into the parent bank.

The bank has seen its share price increase 20 per cent this year, outperforming the market as a whole by 11 per cent.

Martin Kohlhaussen: an 'encouraging' start to 1993

IBM Japan chief steps down as profits fall

By Emiko Terazono in Tokyo

IBM JAPAN, the Japanese arm of International Business Machines of the US, yesterday announced that Mr Takeo Shiina is resigning as chief executive, to be replaced by Mr Kakutaro Kitashiro, the president. The company also unveiled a 90 per cent fall in taxable profits for 1992.

It said Mr Shiina's resignation was to make way for a younger generation of executives. He will remain as chairman, but will resign from the executive board, and will leave his post at IBM in the US.

The sudden change in top personnel at IBM Japan surprised the local industry, as Mr Shiina has led the company for 15 years.

The company also announced a cut in board membership from 30 to 24, and an average 50 per cent reduction in executive bonuses this summer. Head office staff will be reduced to 300 this year by moving 100 employees to marketing divisions. Last year, IBM Japan transferred 1,300 staff from its Tokyo headquarters to marketing and engineering departments.

The company reported that pre-tax profits plunged 90 per cent to Y10.56bn ($90m) for 1992 from Y103.52bn the year before, due to lower personal computers prices, and a sharp fall in sales of its mainframe computers.

Operating profits fell 73 per cent to Y38.45bn from Y113.90bn on sales 1.4 per cent lower at Y1,254.5bn. Net profits fell 44.8 per cent to Y31.21bn from Y56.48bn.

The fall in sales and profits mirrors depressed earnings at Japanese computer makers, hit by a sharp decline in capital investment by Japanese corporations. Computer hardware sales fell 10 per cent. IBM Japan said it was trying to shift its business focus to software and services, which grew 10 per cent last year.

The company was affected by restructuring expenses and the costs of merging Computer Systems Leasing, which it bought last year.

● IBM Deutschland, IBM's German subsidiary, yesterday announced it would cut nearly 4,000 jobs this year, Reuter reports from Hanover.

Mr Bernhard Dorn, chief executive, said IBM planned initially to reduce about 3,000 jobs. "We need a cost efficient structure as soon as possible." Since 1988, the number of workers in production in Germany has already dropped to 6,000 from 11,000.

Steel price drop behind LFr3bn loss at Arbed

By Andrew Hill in Brussels

ARBED, the Luxembourg steelmaker, yesterday announced it lost LFr3.3bn ($97.9m) last year, as the drop in EC steel prices took its toll on profits. The company recorded a consolidated profit of LFr6bn in 1991.

Arbed's share of last year's loss excluding minorities was LFr2.9bn, compared with a profit of LFr4.3bn in 1991. The company said the 1992 result included provisions of LFr700m to cover the restructuring of non-steelmaking activities.

Arbed, which will announce detailed figures at the end of next month, has been hit hard by the decline in west European steel prices, under pressure from cheap non-EC imports. In September, the group announced it had recorded a profit of only LFr364m for the first half of the year, against LFr3.2bn in the equivalent period.

A spokesman for the Luxembourg company said the group had already reduced the number of daily shifts at its Differdange heavy beams plant from three to two to cope with the slump in EC demand. Arbed's turnover slipped from LFr198bn to LFr188.5bn in the year, and 7.1m tonnes of steel were produced, down 12.8 per cent on the 1991 figure.

Northern Telecom shares fall sharply after warning

By Bernard Simon in Toronto

NORTHERN Telecom's share price tumbled by about 10 per cent yesterday morning after a surprise announcement by the Canadian telecommunications equipment maker that first-quarter earnings will not match either last year's levels or analysts' expectations.

In one of Mr Jean Monty's first statements since becoming chief executive, he ascribed the shortfall to heavier spending on research and development, lower software product sales, higher overseas marketing costs and price-cutting in the north American central-office switching market.

The company declined to estimate the likely shortfall in first-quarter earnings, which are due to be published on April 27. Earnings for the first three months of 1992 were US$104.2m and for the year as a whole $548.3m. Northern's share price dropped by $4.38 to $38.25 at mid-morning on the New York stock exchange. It reached a peak of US$48 last year. Northern's parent company, BCE, also lost ground.

The biggest contributor to the fall in earnings is understood to have been the fall in software sales. Although revenues are only modestly lower, earnings have been more severely dented by the high margins on these products.

The jump in R&D spending partly reflects work on a cellular phone system in Australia being developed between Northern and Matra, the French company in which Northern bought a stake last year. Higher marketing costs were ascribed mainly to a venture with Bosch, the German electrical group, to develop the German market, and to extra spending in Latin America and Pacific rim countries.

Finmeccanica at L186bn despite defence downturn

By Robert Graham in Rome

FINMECCANICA, the group controlling the bulk of engineering and high technology interests of IRI, Italy's state holding company, recorded net profits of L186.4bn ($117m) in 1992.

Comparisons with the previous year have been distorted by the need in the 1991 accounts to write in L615bn plus interest repaid to IRI.

This followed a ruling by the EC Commission that Finmeccanica had received illegal subsidies for its car divisions prior to the sale of Alfa Romeo to Fiat in 1986. As a result Finmeccanica posted a group loss of L525bn, but with this payment excluded the 1992 profits rose 11 per cent.

The board is proposing a dividend of L140 for ordinary shares and L180 for savings shares, with L51bn going to reserves. The share of the results net of third party interests due to Finmeccanica is L126.3bn against L182.9bn in 1991. (Alenia, Ansaldo and Elsag-Bailey were incorporated after the close of the 1992 accounts).

During the year turnover rose L112bn to L11,078bn, of which 40 per cent was accounted for by exports.

This 1 per cent rise against inflation of 5 per cent reflected the downturn in a number of sectors, most notably defence. New orders topped L12,000bn compared to L10,818bn in 1991, and totalled L22,300bn.

Financial liabilities rose 9 per cent to L5,310bn, equivalent to 47 per cent of turnover. Increased indebtedness was attributed to the difficulties of the civil aerospace business and the defence sector, plus the cost of group restructuring. Employment declined from 56,000 to 51,500.

L'Air Liquide ahead 3.9%

L'AIR Liquide, the French technical gases group, saw net profits rise by 3.9 per cent to FFr1.37bn ($249m) in 1992 from FFr1.32bn the year before, writes Alice Rawsthorn in Paris.

The group, which last year invested heavily in eastern Germany by commiting DM267m in an air dispersion plant, also managed to increase turnover by 2 per cent to FFr29.26bn from FFr29.34bn.

L'Air Liquide benefited last year from a positive contribution from the disposal of its Lipha business in 1991, which reduced its debt ratio to 20 per cent by the year end from 27 per cent.

The directors decided to maintain the dividend at FFr14 a share.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$332.45	+1	$341.8	$358.40	$326.05
Silver Per troy oz	249.5p	+3	237.40p	265.50p	187.58p
Aluminium 99.7% (cash)	$1140.0	-8.5	$1278.5	$1339.0	$1105.5
Copper Grade A (cash)	£1442	-17.5	£1275.0	£1561.0	£1125.0
Lead(cash)	£289.75	-2.25	£303	£383.5	£266.00
Nickel (cash)	$6095	+147.5	$7325	$8195.0	$5315
Zinc SHG (cash)	$991.5	-6	$1254	$1457.5	$991.5
Tin (cash)	$5680	-75	$5725	$7115.0	$5425.0
Cocoa Futures (May)	£687	-10	£629	£751	£523
Coffee Futures (May)	$890	+10	$481	$1039	$678
Sugar (LDP Raw)	$297.3	+4.8	$209.1	$299.0	$193
Barley Futures (Sep)	£106.75		£116.65	£144.50	£106.75
Wheat Futures (May)	£143.6	+0.85	£125.20	£148.00	£100.85
Cotton Outlook A Index	60.85c	+0.05	55.40c	65.90c	52.25c
Wool (64s Super)	370p	-17	444p	480p	364p
Oil (Brent Blend)	$18.75x	-0.05	$17.875	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. v-May.

London Markets

SPOT MARKETS		
SPOT MARKETS		
Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.23-6.27u	-0.04
Brent Blend (dated)	$18.55-8.59u	-0.05
Brent Blend (May)	$18.75-8.77	-0.02
W.T.I (1 pm est)	$20.37-0.40u	-.025
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$202-203	+2
Gas Oil	$176-177	-1
Heavy Fuel Oil	$76-77	
Naphtha	$173-175	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$332.45	+0.1
Silver (per troy oz)♣	372.0c	+3.0
Platinum (per troy oz)	$355.60	-1.7
Palladium (per troy oz)	$108.75	-1
Copper (US Producer)	101.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	N/A	
Tin (New York)	261.5c	-2
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	131.94p	+0.78*
Sheep (live weight)†♦	134.11p	+13.3*
Pigs (live weight)†	87.20p	-3.55*
London daily sugar (raw)	$287.30	+1.6
London daily sugar (white)	$296.50	-0.5
Tate and Lyle export price	£305.50	-1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.00	
Wheat (US Dark Northern)	Unq	
Rubber (May)¶	62.25p	-0.75
Rubber (Jun)¶	62.75p	-0.75
Rubber (KL RSS No 1 Apr)	220.0m	
Coconut oil (Philippines)§	$412.5y	
Palm Oil (Malaysian)§	$407.5x	
Copra (Philippines)§	Unq	
Soyabeans (US)	£178.0	-2
Cotton "A" index	60.85c	
Wooltops (64s Super)	370p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-Jun. v-May. x-Apr. ¶London physical. §CIF Rotterdam. ‡ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices. * change from a week ago. provisional prices

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	266.60	266.60	266.00 266.00
Oct	245.60	245.60	245.00 244.60
White	Close	Previous	High/Low
May	301.50	302.00	302.00 299.00
Aug	305.50	305.00	306.00 301.00
Oct	290.50	288.00	289.00 285.00
Mar	286.00	283.00	285.00 280.00
May	288.00	283.00	283.00
Aug	292.50	286.00	286.00

Turnover: Raw 189 (13) lots of 50 tonnes. White 1224 (1619) Paris- White (FFr per tonne): May 1674.39 Aug 1731.57

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
May	18.73	18.77	18.79 18.60
Jun	18.82	18.82	18.84 18.68
Jul	18.79	18.81	18.82 18.68
Aug	18.78	18.84	18.78 18.71
Oct	18.85	18.84	18.86 18.80
IPE Index	18.70	18.63	

Turnover 14240 (21876)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Apr	173.50	174.00	175.25 173.50
May	171.50	171.25	173.25 171.50
Jun	170.75	170.50	172.00 170.75
Jul	172.25	171.50	172.75 171.75
Aug	174.00	173.25	174.75 174.00
Sep	176.00	175.50	176.50 175.75
Dec	182.25	181.75	182.50 182.25
Jan	182.00	181.50	182.25 182.00

Turnover 11201 (6940) lots of 100 tonnes

SPICES
Nutmeg and mace prices were unchanged this week, but can be expected to come under pressure from the peak harvest season in Indonesia, reports Man-producten. Bwp spot $800 a tonne, shipment $700; shrivels spot $1,200, shipment $1,025; abcd spot $1,350, shipment $1,150. Cassia unchanged, but remains at start next week, and Indonesian farmers will start cutting again. Madagascar cloves $770 cif, $850 spot; Zanzibar cloves spot $900. Mexico pimento unchanged at $1,700 spot, shipment $1,650. Jamaica spot easier at $2,175, shipment $2,140 and Guatemalan spot $1,900.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Mar	677	690	688 685
May	687	696	699 685
Jul	699	709	709 698
Sep	713	722	722 711
Dec	733	741	740 735
Mar	752	761	758 753
May	767	774	766 766
Jul	780	788	783
Sep	792	801	800 792
Dec	813		821 820

Turnover: 2543 (2845) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 25 709.37 (706.02) 10 day average for Mar 26 704.36 (701.16)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Mar	920	916	919 900
May	890	896	[illegible] 884
Jul	856	868	882 854
Sep	868	879	873 866
Nov	882	893	885 880
Jan	893	904	896 893
Mar	905		902

Turnover 3079 (2937) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 25: Comp. daily 54.46 (54.83) 15 day average 54.95 (55.16)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	42.5	41.5	45.5 41.5
May	43.5	42.0	45.0 43.0
Apr	95.4	93.5	95.5 95.0

Turnover 148 (43) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	140.20	141.00	140.20

Turnover 25 (25) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Apr	1475	1470	1475 1460
May	1424	1420	1424 1408
Jul	1270	1268	1270 1265
Oct	1375	1375	1375 1373
BFI	1500	1499	1500 1492

Turnover 187 (211)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
May	143.50	143.75	143.50 143.25
Sep	108.35		108.35
Nov	110.40	110.65	110.50 110.40
Jan	113.50	114.10	113.50
Mar	116.15	116.55	116.20 116.15
Barley	Close	Previous	High/Low
Sep	106.75		106.75
Nov	109.50	109.75	109.50 109.35

Turnover: Wheat 180 (72), Barley 28 (8).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	110.0	109.5	109.0 108.0
Jul	106.0	108.2	105.0
Sep	103.5		103.5
Oct	104.0		105.0 104.0
Nov	104.0		105.0 104.0

Turnover 25 (9) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 23,124 lots	
Cash	1139.5-40.5	1146.5-47.5		1141-42		
3 months	1163-64	1170.5-71.5	1168/1160	1164.5-65	1162-63	158,070 lots
Copper, Grade A (£ per tonne)					Total daily turnover 29,317 lots	
Cash	1441-43	1474.5-75.5	1440	1440-40.5		
3 months	1464-66	1495-96	1486/1460.5	1461.5-62	1464-64.5	156,227 lots
Lead (£ per tonne)					Total daily turnover 3,950 lots	
Cash	269.5-70	268.5-69.5		269-70		
3 months	279-79.25	278-79	279.5/278	279-79.25	279.5-80	20,815 lots
Nickel ($ per tonne)					Total daily turnover 7,882 lots	
Cash	6090-100	6050-60		6060-65		
3 months	6160-70	6120-25	6165/6100	6130-35	6145-50	41,917 lots
Tin ($ per tonne)					Total daily turnover 2,669 lots	
Cash	5675-85	5685-95	5650	5645-50		
3 months	5735-45	5750-55	5750/5700	5710-15	5710-20	9,048 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,245 lots	
Cash	991-92	997-98		989.5-90		
3 months	1011-11.5	1016.5-17.5	1014/1001	1005.5-10	1010-11	68,593 lots
LME Closing £/$ rate:						
SPOT: 1.4910		3 months: 1.4812		6 months: 1.4732		9 months: 1.4655

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	332.30-332.60	
Opening	332.40-332.70	
Morning fix	332.70	223.694
Afternoon fix	332.70	223.184
Day's high	332.90-333.20	
Day's low	332.40-332.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.60	6 months	2.47
2 months	2.53	12 months	2.80
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	249.15	371.75
3 months	252.20	374.50
6 months	256.35	377.56
12 months	263.20	384.00

GOLD COINS	$ price	£ equivalent
Krugerrand	332.50-335.00	225.00-227.00
Maple leaf	342.15-344.35	-
New Sovereign	79.00-82.00	53.00-55.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	25	56	3	11
1150	8	39	10	19
1175	3	26	28	30
Copper (Grade A)	Calls		Puts	
2100	62	96	3	20
2150	24	64	14	38
2200	5	40	45	63
Coffee	May	Jul	May	Jul
850	54	46	14	40
900	26	27	36	71
950	11	15	71	103
Cocoa	May	Jul	May	Jul
725	6	26	44	52
750	2	19	65	70
775	1	13	89	89
Brent Crude	May	Jun	May	Jun
1850	38	64	21	39
1900	15	39	47	
1950	8	22		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	332.4	332.7	332.4	332.4
Apr	332.5	332.8	333.4	332.3
May	333.5	333.7	0	0
Jun	334.2	334.4	335.0	334.0
Aug	335.5	335.7	336.0	335.5
Oct	337.0	337.2	0	0
Dec	338.5	338.7	339.3	338.7
Feb	340.1	340.2	340.5	340.5
Apr	341.7	341.7	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	356.8	357.0	357.5	355.5
Jul	355.3	356.0	357.0	353.0
Oct	354.3	355.0	355.0	355.0
Jan	353.3	354.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	371.9	370.6	372.0	372.0
Apr	372.3	371.0	0	0
May	373.2	372.0	374.5	371.5
Jul	375.7	374.4	376.5	374.0
Sep	378.1	376.8	379.0	376.5
Dec	381.7	380.4	382.5	380.0
Jan	382.1	380.8	0	0
Mar	385.5	384.2	385.5	384.0
May	388.0	386.7	384.0	384.0
Jul	390.7	389.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	95.50	97.15	96.20	95.50
Apr	95.85	97.25	95.85	95.85
May	96.05	97.65	96.60	95.85
Jun	96.40	97.95	0	0
Jul	96.80	98.25	97.25	96.65
Aug	97.15	98.55	0	0
Sep	97.50	98.95	97.90	97.30
Oct	97.65	98.95	0	0
Nov	97.90	99.20	0	0
Dec	98.25	99.55	98.80	98.45

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
May	20.41	20.41	20.42	20.24
Jun	20.52	20.50	20.55	20.35
Jul	20.53	20.52	20.54	20.39
Aug	20.56	20.54	20.56	20.43
Sep	20.51	20.52	20.51	20.40
Oct	20.50	20.50	20.46	20.40
Nov	20.45	20.48	20.45	20.42
Dec	20.46	20.46	20.46	20.38
Jan	20.36	20.43	20.35	20.35
Feb	20.33	20.41	20.33	20.33

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	57.80	58.22	57.80	57.40
May	56.70	56.89	56.70	56.00
Jun	56.10	56.38	56.10	55.40
Jul	56.15	56.08	56.15	55.55
Aug	56.50	56.65	56.65	56.25
Sep	57.50	57.61	57.50	57.40
Oct	58.40	58.61	58.50	58.46
Nov	59.30	59.46	59.30	59.30
Dec	60.20	60.34	60.20	60.20
Jan	60.65	60.69	60.65	60.40

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	887	904	912	889
Jul	923	931	938	915
Sep	950	947	960	945
Dec	980	984	987	974
Mar	1013	1015	1026	1010
May	1035	1036	0	0
Jul	1055	1054	0	0
Sep	1077	1076	0	0
Dec	1107	1106	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	59.55	61.70	61.20	0
Jul	60.70	63.55	62.90	60.60
Sep	62.70	65.20	64.60	62.60
Dec	65.15	67.05	66.90	65.10
Mar	67.55	69.15	69.10	67.55
May	69.25	71.00	69.25	69.25
Jul	70.50	72.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	11.85	11.72	11.96	11.72
Jul	12.25	11.91	12.26	12.01
Oct	11.60	11.27	11.60	11.36
Mar	10.75	10.49	10.79	10.60
May	10.73	10.49	10.80	10.64
Jul	10.75	10.49	10.75	10.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	61.05	60.82	61.35	60.65
Jul	62.05	61.77	62.30	61.60
Oct	62.00	61.77	62.20	61.60
Dec	60.90	60.83	61.20	60.75
Mar	61.90	62.00	62.25	61.80
May	62.45	62.57	0	0
Jul	63.02	63.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	84.15	84.90	87.90	84.00
Jul	87.35	87.95	90.00	87.00
Sep	90.35	90.25	92.25	90.30
Nov	92.00	92.50	94.40	92.00
Jan	94.80	94.50	97.00	95.70
Mar	97.80	96.00	99.50	97.50
May	97.80	96.00	0	0
Jul	97.80	96.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Mar.26	Mar.25	mnth ago	yr ago
1744.4	1759.2	1774.5	1608.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar.25	Mar.24	mnth ago	yr ago
Spot	126.74	127.03	125.02	118.04
Futures	128.73	129.28	124.71	121.31

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	587/4	586/6	589/0	585/2
Jul	592/6	592/0	595/0	590/2
Aug	595/4	594/4	598/6	592/6
Sep	598/4	598/2	598/0	594/6
Nov	601/2	601/2	603/0	598/4
Jan	608/6	608/4	611/0	606/4
Mar	615/2	615/4	617/0	613/0
May	619/4	620/0	620/4	618/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	20.88	20.97	20.98	20.73
Jul	21.15	21.25	21.25	21.00
Aug	21.21	21.33	21.35	21.14
Sep	21.28	21.40	21.40	21.25
Oct	21.47	21.50	21.60	21.39
Dec	21.64	21.67	21.70	21.45
Jan	21.70	21.73	0	0
Mar	21.90	22.00	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	185.8	185.2	185.9	184.9
Jul	186.9	186.4	187.0	186.0
Aug	187.3	187.2	188.0	186.9
Sep	188.8	188.0	189.0	188.0
Oct	189.5	189.0	189.9	188.8
Dec	191.7	191.4	191.9	191.0
Jan	191.7	191.7	191.7	191.5
Mar	192.1	192.5	192.2	192.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	228/6	228/6	229/2	228/0
Jul	235/2	235/2	235/6	234/4
Sep	239/2	239/2	239/6	238/6
Dec	245/0	245/4	245/4	244/2
Mar	252/0	252/0	252/0	250/4
May	255/0	255/4	255/0	254/4
Jul	259/0	259/0	259/0	257/4
Dec	248/4	248/4	248/4	247/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	342/4	349/2	349/6	341/4
Jul	304/2	305/0	308/2	302/6
Sep	306/6	308/0	306/0	304/6
Dec	315/6	316/0	317/0	314/0
Mar	320/0	319/0	320/0	318/0
Jul	313/0	313/0	314/0	312/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	82.625	82.775	82.800	82.400
Jun	78.825	78.775	78.850	78.675
Aug	73.400	73.450	73.475	73.200
Oct	73.325	73.350	73.600	73.250
Dec	73.450	73.450	73.550	73.350
Feb	72.900	72.800	73.025	72.850
Apr	73.850	73.800	73.850	73.850

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	50.600	49.750	51.200	49.850
Jun	55.975	54.850	56.050	56.075
Jul	53.600	52.825	54.000	53.000
Aug	50.750	50.050	51.100	50.000
Oct	45.200	44.850	45.600	44.875
Dec	45.275	45.000	45.400	45.000
Feb	45.250	45.075	45.350	45.100
Apr	44.000	44.150	44.200	43.900

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	50.900	49.725	51.725	49.500
Jul	52.050	50.550	52.400	50.675
Aug	49.750	48.300	50.025	48.450
Feb	48.250	48.200	49.500	47.750
Mar	47.700	47.700	0	0

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling boosted by economy

STERLING rose more than 2 pfennigs in early morning trading against the D-Mark yesterday, boosted by more good economic indicators in the UK and growing speculation that the Bundesbank might ease interest rates again next week, *writes James Blitz.*

For most of this week, the pound has softened against the D-Mark in spite of the German currency's weaker performance against other European currencies. On Friday morning in Tokyo the pound won back a lot of the ground lost in previous days although it later fell back in the afternoon in London. Sterling closed in London at DM2.4300, a pfennig up on the day.

The pound was partly boosted after the Confederation of British Industry reported on Thursday that British manufacturing industry expected to increase output over the next four months following a recovery in order books to their best levels since the summer of 1990.

Compounding the pound's rise may have been the perception that Germany may ease interest rates next week. German call money fell yesterday close to the level at which the Bundesbank lends cash to commercial banks, prompting speculation that the crucial repo rate may be cut on Wednesday or Thursday.

This way of thinking did not help either the dollar or the French franc against the German currency, however. The dollar again fell back after failing to break through the 30-day moving average against the D-Mark of DM1.6450. It closed at DM1.6305, down more than a pfennig on the day.

The French franc also weakened, falling to its ERM floor against the Irish punt and falling nearly a centime against the D-Mark to close at FFr3.405.

Despite the fall, some dealers appear to have been surprised that the franc did not come under more pressure in a week that saw the German repo rate unchanged, the Belgian government falling and the onset of the second round of the French National assembly elections.

Mr Mark Brett of Barclays de Zoete Wedd in London said: "ERM tensions do appear to be evaporating and forex traders are no longer taking short franc positions for weeks at a time," he said.

Mr Christopher Potts of Banque Indosuez in Paris, believes the new French government may be able to hold the franc initially. "But the danger," he says, "is that interest rates can't be pushed down significantly in the next two months." He believes the new French administration will take advantage of a wave of goodwill to instigate a cut in interest rates in the next two weeks.

£ IN NEW YORK

Mar.26	Latest	Previous Close
£ Spot	1.4885-1.4895	1.4745 1.4755
1 month	0.38-0.37pm	0.38 0.36pm
3 months	1.03-1.01pm	1.03 1.00pm
12 months	3.34-3.27pm	3.33 3.22pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.26	Previous
8.30 am	79.1	78.7
9.00 am	79.2	78.8
10.00 am	79.3	78.8
11.00 am	79.4	78.7
Noon	79.5	78.8
1.00 pm	79.4	78.9
2.00 pm	79.3	78.8
3.00 pm	79.3	78.9
4.00 pm	79.3	78.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.704	-2.42	3.30	40
Irish Punt	0.809996	0.798847	-1.38	2.21	[illegible]
Dutch Guilder	2.20045	2.18254	-0.81	1.62	[illegible]
Belgian Franc	40.2802	40.0291	-0.62	1.43	15
D-Mark	1.95294	1.94122	-0.60	1.41	10
Portuguese Escudo	180.624	179.950	-0.37	1.18	4
Danish Krone	7.44934	7.45587	0.10	0.70	-10
French Franc	6.54988	6.60228	0.80	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4745 - 1.4940	1.4905 - 1.4915	0.38-0.36cpm	2.98	1.04-1.01pm	2.75
Canada	[illegible]	[illegible]	0.21-0.13cpm	1.10	0.47-0.38pm	0.65
Netherlands	2.7170 - 2.7485	2.7275 - 2.7375	[illegible]	-1.32	[illegible]	-1.65
Belgium	49.80 - 50.40	50.15 - 50.25	11-16cdis	-3.23	31-37dis	-2.71

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4910	1.4873	1.4807	1.4717	1.4580
D-mark	2.4300	2.4358	2.4425	2.4488	2.4541
French Fr.	8.2725	8.3100	8.3742	8.4345	8.4880
Swiss Fr.	2.2500	2.2466	2.2452	2.2395	2.2211
Yen	173.50	173.12	172.35	171.28	169.22

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.
£	1	1.491	2.430	173.5	8.273	2.250	2.73
$	0.671	1	1.630	116.4	5.549	1.509	1.83
DM	0.412	0.614	1	71.40	3.405	0.926	1.12
YEN	5.764	8.594	14.01	1000.	47.68	12.97	15.7
F Fr.	1.209	1.802	2.937	209.7	10.	2.720	3.30
S Fr.	0.444	0.663	1.080	77.11	3.677	1	1.21
N Fl.	0.366	0.546	0.889	63.48	3.027	0.823	1
Lira	0.422	0.629	1.024	73.15	3.488	0.949	1.16
C $	0.588	0.803	1.309	93.48	4.457	1.212	1.47
B Fr.	1.992	2.970	4.841	345.6	16.48	4.482	5.44
Pta	0.575	0.857	1.397	99.77	4.757	1.294	1.57
Ecu	0.797	1.188	1.936	138.2	6.592	1.793	2.17

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Call money down again

GERMAN call money continued to come down yesterday, following the Bundesbank's decision on Thursday to cut the interest rate on its 3-day Treasury Bills, writes *James Blitz.*

For the last two days, dealers have been divided over whether the 90 basis point cut in the T-Bill rate to 8.40 per cent signified a more aggressive attitude by the Bundesbabnk towards easing monetary policy. The rate cut bears have argued that the reduction in the T-Bill rate was a foregone conclusion following last week's cut in the discount rate to 7.5 per cent.

UK clearing bank base lending rate 6 per cent from January 26, 1993

But there was a strong feeling in the market yesterday that the T-Bill rate had been holding up the floor for German call money.

Hence the fall in the overnight cost of lending D-Marks yesterday from 8.45 per cent to 8.31 per cent.

The June Euromark contract tracked the easing in rates, rising to a high of the day of 93.00, before closing unchanged on the day at 92.94.

The easing in the T-Bill rate helped to dampen concerns which had arisen earlier in the week that the Bundesbank had left the the rate at which it offers short term funds to commercial banks – the repo rate – unchanged.

Indeed, some dealers were arguing yesterday that the T-Bill move would raise speculation of a cut next week in the repo rate, currently at 8.25 per cent, and in the Lombard rate, currently at 9.00 per cent.

There will be pressure to cut the repo rate, now that call money is approaching the 8.25 per cent level. One of the main reasons for the Bundesbank not to cut the Lombard rate has also disappeared – namely that call money was so close to the Lombard level that an easing there would have triggered "round tripping" by commercial banks.

Both Denmark and Ireland took advantage of the comparative calm in the ERM to ease official rates. Ireland cut its short-term facility rate by 50 basis points to 10.25 per cent. Denmark lowered both its deposit rate and discount rate to 9.5 per cent from 10 per cent.

Sterling markets were almost unmoved yesterday, at the end of a week which has seen the futures market taking the view that 6 per cent base rates are here to stay until the autumn of 1994.

Three-month money again closed almost unchanged at 6⅛ per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls May	Calls June	Calls September	Puts May	Puts June	Puts September
115	-	-	2.95	0.10	0.28	-
116	-	1.73	2.29	0.24	0.49	-
117	0.75	1.09	1.64	0.52	0.83	-
118	0.30	0.60	1.16	1.06	-	-
119	0.09	0.28	0.80	-	-	-
Open int	190,103	36,364	3,880	132,186	30,520	4,267

Estimated volume 33,610 † Total Open interest 399,850

† All Yield & Open interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday March 24,1993	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	124,623,643	- 2,084,111,319
Bankers Deposits	1,469,252,628	- 105,592,865
Reserve and other Accounts	5,083,516,843	+ 1,249,040,225
	6,691,946,114	- 920,663,959
ASSETS		
Government Securities	1,154,057,132	- 43,515,000
Advance and other Accounts	5,089,796,745	- 226,503,190
Premises Equipment & other Secs	444,218,029	- 649,378,224
Notes	3,661,298	- 1,276,968
Coin	212,910	+ 9,423
	6,691,946,114	- 920,663,959
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,296,338,702	+ 31,276,968
Notes in Banking Department	3,661,298	- 1,276,968
	16,300,000,000	+ 30,000,000
ASSETS		
Government Debt	11,015,000	
Other Government Securities	5,756,781,781	- 185,482,503
Other Securities	10,532,203,119	+ 215,482,503
	16,300,000,000	+ 30,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 2625

Treasury 13¾% Stk 2000/03 - £134⅝
Exchequer 10½% Stk 2005 - £118⅝
Guaranteed Export Finance Corp PLC 12⅞% Grd Ln Stk - £130⅝ (24Mr93)

Corporation and County Stocks
No. of bargains included 1

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Italy(Republic of) 10⅞% Bds 2014 (Br£10000&50000) - £107⅝ .8675
Kawasaki Steel Corp 6% Bds 1997(BrY10000000) - Y102½
Kyushu Electric Power Co Inc 8% Nts 1997 (Br £ Var) - £102.575 (23Mr93)
Ladbroke Group PLC 5½% Subord Cnv Bds 2004(Br£1000&5000) - £123¼♦ ¾♦
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £100½ (24Mr93)
Land Securities PLC 9½% Bds

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

Miscellaneous Warrants

USM Appendix

Rule 535(2)

KB Gilt Fund - £15.415988 15.415994 (24Mr93)
Strategic Inv Fd - £1.276 (19Mr93)
Int Equity Gwth Inc - £2.4381 (24Mr93)
Labyrinth Group PLC Ord 10p - £17.5 (19Mr93)
Lawrie Group PLC Ord £1 - £15 16½ (22Mr93)
Le Riche's Stores Ld Ord £1 - £2.65
Lloyds Bank(Channel Islands) Lloydstrust World Investment Portfolio - £2.584
Merrett Hldgs PLC Ord 10p - £0.2
Motlik International Group PLC Ord 1p - £0.4 (24Mr93)
Newbury Racecourse PLC Ord £100 - £2100 2105 (24Mr93)
Newspaper Publishing PLC Ord 1p - £1.4 (19Mr93)
North East Water PLC Ord £1 - £5½♦
Poddington PLC Ord 5p - £0.01 (19Mr93)
Ramsden's (Harry) PLC B Ord 10p - £1
Rangers Football Club PLC Ord 10p - £0.9 (22Mr93)
Schroder Management Services(Guern) Schroder European Bond - £7.371779 (19Mr93)
Scotts Holdings PLC Ord 10p - £7.5 7.8
Select Industries PLC Ord 2½p - £0.05
New Ord 7½p(2½p Regd) - £0.015 (24Mr93)
Severn Valley Railway(Hldgs)PLC Ord £1 - £0.7 (23Mr93)
Shepherd Neame Ld "A" Ord £1 - £5.05
Southern Newspapers PLC Ord £1 - £2.85

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Kleinwort Benson(Int) Fund Mgmt Inc
Yen Bond Fd - £7.072
Japanese Fund - £10.5838 (23Mr93)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

Equities fail to hold on to early gains

By Terry Byland,
UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Mar 15	Mar 29	Apr 19
Option Declarations:		
Mar 25	Apr 15	May 6
Last Dealings:		
Mar 26	Apr 16	May 7
Account Day:		
Apr 5	Apr 26	May 17

*New time dealings may take place from 9.00am two business days earlier.

POST-BUDGET confidence was beginning to wear thin on the UK securities markets yesterday as government bonds faced a further sell-off while equities found the FT-SE 2,950 mark under increasing pressure. An early mark-up in share prices reflected optimistic comments on British manufacturing output from the Confederation of British Industry (CBI) and took the FT-SE Index to 2,873.7. However, there was little support at these levels and by the close many shares had returned to overnight quotations.

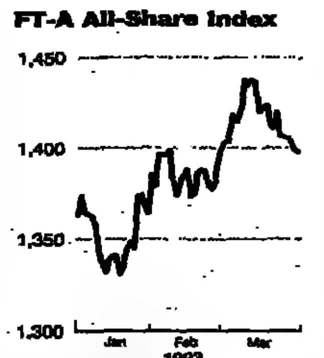
The final reading for the two week equity trading account left the FT-SE Index at 2,852.9, just 0.1 up on the day, with the London market showing little sense of direction in late dealings when Wall Street was a shade off as it opened its new trading session.

The Footsie 2,850 mark is significant as chart analysts see little further support above 2,800. Mr Ian Harnett of Strauss Turnbull yesterday said again that, without a rate cut, the index would head for 2,800 following the Budget.

Prospects for a cut in base rates appeared to remain elusive yesterday as, despite firmness in sterling, government bonds were sold off. Longer dates closed around ⅜ off, but losses among Index-linked gilts were smaller. Inflation concern in gilts was fuelled by the CBI's prediction that manufacturing output will rise over the next quarter. Bonds are also overshadowed by the prospective weight of government funding.

Over the two week Budget account which closed last night, the Footsie has lost about 2.2 per cent, with most of the loss recorded this week as the Budget implications for Advance Corporation Tax and for dividends on overseas earnings have unsettled share prices. Also discouraging have been trading statements from such blue chips as Wellcome and Redland, both of which raised worries in the stock market over the near-term outlook.

FT-A All-Share Index



Source: FT Graphite

The FT-SE Mid 250 Index also ran into further selling pressure yesterday, closing 14.6 down at 3,099, now around 1.7 per cent below the peak reached just after Budget Day.

Some strategists expressed concern at present valuations of the stock market, where the FT-SE 100 shares are now trading around 20 times earnings.

Retail issues weakened yesterday as investors looked for more convincing signs of the recovery in consumer spending which is still seen as the only genuine precursor of economic recovery. Market indices were dragged down by renewed pressure on some drug stocks in the wake of Wellcome's trading statement.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

BP chased by US buyers

THE OIL sector, and particularly BP, was one of the few areas of the market to attract any persistent buying interest. BP shares glided through their 1992/3 high-point and reached, 305p, their best level since November 1991, as US investors continued to chase the stock.

By the close the stock price had come off its best and closed a net 5¼ up at 304½p. Turnover in BP was a hefty 9.1m shares. Oil specialists said the impetus for the sector came from the US where oil stocks outperformed the rest of the market.

"The love affair between the US institutions and BP gets more intense by the hour," said one rather bemused oil analyst in the UK. He said he expected an announcement soon that US investors now speak for well in excess of a quarter of BP's issued capital.

Generators busy

The Scottish power generators, left behind by their English and Welsh counterparts following Thursday's coal industry white paper, hit all-time highs yesterday before settling marginally below their best levels. Scottish Hydro touched 273p and closed a net 7½ firmer at 271½p with 1.5m shares traded, while Scottish Power ended a busy session a net 9½ to the good at 254p, after a record 255p. As from Monday both stocks will trade cum the final 70p call.

PowerGen and National Power both rushed up to all-time highs before attracting profit-taking. The latter were unchanged on balance at 336p, having traded at 340p, while the former closed 3 better at 345p, after a record 348p. Turnover in National Power was 5.3m shares and in 7.5m in PowerGen.

Wellcome, given rough treatment by the market on Thursday after announcing its interim figures, remained under heavy selling pressure as the market continued to focus on the possibility of a slowing in earnings growth and the recent spate of profits warnings from the leading US drug companies. Wellcome shares dropped 24 more to 794p on heavy turnover of 3.9m.

Royal Bank of Scotland substantially outperformed the rest of a mixed banking sector. The shares jumped 10½ to 249p on much higher than usual turnover of 4.3m, amid suggestions that some of the City's leading broking houses may be preparing to upgrade their forecasts for the bank. Abbey National were well supported and closed 6½ higher at 373p, with dealers adopting the view that the shares had been oversold.

HSBC, which goes ex-dividend on Monday, put on 13 to 621p helped by the strong performance of the Hong Kong market.

Burmah Castrol delivered one of the best performances among the Footsie 100 stocks reflecting keen institutional support ahead of next Thursday's preliminary statement of profit figures which most analysts expect to show net income of about £85m and a net dividend of around 25p.

The shares jumped 14 to 714p, albeit in rather unspectacular turnover of 818,000 shares.

With the "dash for gas" policy enshrined in the government's white paper on coal, British Gas moved up 4½ to 300p on heavy turnover of 9.6m shares.

The go-ahead given by Mr Michael Heseltine, president of the Board of Trade, to the gas-powered Connah's Quay power station, which will be fed by the Hamilton and Hamilton North gas fields in Liverpool Bay, triggered a further burst of buying in Monument Oil & Gas whose shares edged up 1½ more to 45½p. Monument has a 25 per cent stake in the gas fields and the adjacent Douglas oil field as well as a 25 per cent stake in the nearby Lennox field.

Several stocks in the retail sector were said to have been depressed by a stock overhang following Thursday's programme trade by UBS Phillips & Drew. These included Boots, which gave up 13 to 486p, and WH Smith "A", 8 lighter at 402p. Sentiment in both stocks was further weakened by DIY competition worries from Kingfisher, which hardened 5 to 558p, as investors continued to appreciate the group's favourable results earlier in the week.

A profits warning from Fenner sent the shares tumbling. By the close the shares had fallen 22 to 65p. Smiths Industries shed 3 to 331p, with both UBS Phillips & Drew and NatWest Securities said to have had large lines of stock.

A stock overhang continued in Siebe which left the shares 3 lighter at 443p, after trade of 1.9m.

Confirmation that French holding company CGIP was in negotiations as part of a consortium to acquire a 25.3 per cent stake in Carnaud Metalbox, along with reports of an insider dealing inquiry in Paris, saw Carnaud Metalbox fall 225 to 2488p. The stake is currently held by building products group MB-Caradon whose shares eased 5 to 311p.

Around 15 per cent of the company's stock changed hands in Atreus on its first day of trading. By the close, volume had risen to 9.7m and having been placed at 20p, the shares moved 1¼ forward to 21½p.

Shares in office equipment group Erskine House fell 7 to 34p after the company said its final dividend for 1992 will, "at most, be a nominal one". The company paid a 2.3p interim dividend and the move now means the total dividend has fallen from last year's 6.35p. The company blamed the changes in ACT regulations included in the UK Budget earlier this month, and said it would instead use the money to reduce borrowings.

The blow to sentiment in Erskine was felt in several other stocks in the sector. These included Gestetner which gave up 8 to 115p, and Danka Business which relinquished 16 to 589p.

Property shares remained fairly active as investors continued to assess prospects for recovery in the sector. Although expectations of another large rights issue continued to unsettle share prices, there were few obvious candidates.

At 188p, Slough Estates were only a few pence off, with the market evidently satisfied with the details of this week's £147m rights issue. Hammerson "A" shares eased to 349p with talk of a bid still echoing in the background.

Among the other leaders of the sector, turnover was moderate but share prices moved within narrow bands. While the likelihood of a further cut in UK base rates in the near future has clearly receded since the Budget, investors still see property shares as the harbingers of a recovery across the range of the UK economy.

■ BUDGET CHANGES

The Financial Times will implement with effect from April 5 the Budget reduction in the income tax rate applied to dividends to 20 per cent from 25 per cent. This will affect gross dividend yields shown for individual companies in the London Share Service, and those calculated for the FT-SE Actuaries UK Share Indices and the FT-Actuaries World Indices.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 10.

FINANCIAL TIMES EQUITY INDICES

	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Year ago	High	Low
Ordinary share	2214.6	2221.3	2235.4	2236.2	2242.5	1914.9	2298.5	1670.0
Ord. div. yield	4.44	4.42	4.40	4.39	4.39	4.69	5.34	4.23
Earning yld % full	6.21	6.19	6.16	6.17	6.14	6.77	-	-
P/E ratio net	19.98	20.04	20.14	20.19	20.29	18.87	22.01	15.79
P/E ratio nil	18.56	18.62	18.71	18.76	18.83	17.45	-	-
Gold Mines	109.4	110.6	104.8	105.7	108.3	119.6	160.6	60.0

*for 1992/93. Ordinary share Index since compilation: high 2298.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2230.0	2231.1	2231.7	2225.8	2219.7	2226.3	2229.2	2222.8	2216.9	2235.4	2214.5

Volume	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Year ago
SEAQ Bargains	44,866	40,082	36,785	39,577	38,035	28,810
Equity Turnover(£m)†	-	1984.1	1690.6	1348.7	1033.2	1130.8
Equity Bargains†	-	46,375	43,958	45,790	42,799	32,654
Shares traded (ml)†	-	809.2	728.7	811.4	481.4	499.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday March 26 1993

FT Gold Mines Index	+	71.00	Engineering-General	+	5.96
Merchant Banks	+	23.14	Motors	+	5.93
Property	+	20.66	Textiles	+	5.79
Metals & Metal Forming	+	16.65	Transport	+	5.69
Engineering-Aerospace	+	15.48	Other Groups	+	4.80
Insurance (Life)	+	15.47	Other Industrials	+	4.66
FT-SE SmallCap ex Inv Tsts	+	14.65	Chemicals	+	4.13
FT-SE SmallCap	+	13.79	Telephone Networks	+	3.90
Contracting, Construction	+	13.09	Insurance Brokers	+	2.87
Electricity	+	10.83	Media	+	2.58
Financial Group	+	10.60	Hotels & Leisure	+	2.56
Electronics	+	10.30	FT-A All Share	+	2.52
Water	+	9.66	Conglomerates	+	2.10
Banks	+	9.48	Insurance (Composite)	+	1.99
Packaging and Paper	+	8.94	FT-SE-A 350	+	1.88
Oil & Gas	+	8.54	500 Share Index	+	1.09
FT-SE Mid 250	+	8.25	Industrial Group	+	0.25
Building Materials	+	8.17	FT-SE 100	+	0.22
Capital Goods	+	7.98	Stores	-	2.88
Electricals	+	7.88	Food Retailing	-	5.49
Food Manufacturing	+	6.81	Consumer Group	-	6.58
Business Services	+	6.68	Brewers and Distillers	-	7.20
Investment Trust	+	6.33	Health & Household	-	18.92

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (83).
AMERICANS (1) Loew's, CANADIANS (1) Hudson's Bay, BANKS (3) Allied Irish, Bk. Scot. 8¾pc Pf., BLDG MATLS (2) CRH, Unigroup, BUSINESS SERVS (3) Capita, Caster, CHEMS (2) Wolstenholme Rink, Yule Catto, CONTG & CONSTRCN (3) Bellway, Crestion, Sheriff, ELECTRICALS (5) Emess 8½pc Pf., Ericsson, Fujitsu, Mitsubishi, TDK, Toshiba, ELECTRICITY (3) PowerGen, Scot. Hydro, Scot. Power, ELECTRONICS (3) Forward, Learmonth & Burchett, Racal, ENG GEN (1) Molins, FOOD MANUF (3) Avonmore, Cranswick, Unigate, HEALTH & HSEHOLD (1) IWP, HOTELS & LEIS (1) Savoy, INV TRUSTS (9) EFM Japan, Do Wts., First Philippine Wts., Foreign & Col. Pacific, Gartmore Amer. Sec., Zero Pf., JF Japan OTC Inc., Nth. Amer. Gas, Overseas Inv. Wts., MEDIA (3) Daily Mail, MMI, More O'Ferrall, Ulster TV, Watmoughs, MISC (4) Bluebird Toys, Lincat, Portmeirion Potts., Spandex, OIL & GAS (4) BP, Enterprise, Monument, Occidental, OTHER FINCL (3) Cater Allen, Provident Fincl., Stratagem, OTHER INDLS (3) King & Shaxson, Morgan Crucible 7¾pc Pf., PACKG, PAPER & PRINTG (1) Brit. Polythene, PROP (1) Helical Bar, STORES (3) Bettaware, Courts, QS, TEXTS (2) Celestion, Stirling, TRANSPORT (3) Dawsongroup, Mersey Docks, Sea Containers, WATER (1) Mid Kent, MINES (3) Iemda West, Kidston Gold, Normandy Poseidon.

NEW LOWS (6).
ELECTRONICS (1) Prestwick, ENG GEN (1) Fenner, HEALTH & HSEHOLD (1) Lilly (Eli), INSCE BROKERS (1) Octal, INV TRUSTS (1) SPLIT Inc., MISC (1) Erskine House.

EQUITY FUTURES AND OPTIONS TRADING

THE LAST day of the equity account saw stock index futures trade in a volatile manner with little in the way of economic or political features to boost trading, writes Joel Kibazo.

The June contract on the FT-SE 100 opened strongly at 2,888, and moved forward on good buying. By 9.30am it was trading at 2,893. However, futures dealers had their eyes on the equity market and the turnround there saw futures buying begin to dry up, causing a mid-morning retreat.

The lunch-time period brought a rally in the contract which saw it return to the day's opening level but this petered out with the tentative opening on Wall Street once again leading to a fall in June.

It closed at 2,865, around 2 points above estimated fair value of about 9 points. Turnover was 10,015.

The traded options sector was dull with volume of only 21,855 lots. Some 6,243 lots were dealt in the FT-SE 100 option, and the Euro-FT-SE was particularly busy, trading 5,264, after a big trade by James Capel.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	113.7010	-1.455	7.58	7.54	8.06
BELGIUM		9.000	03/03	110.0750	+0.850	7.53	7.32	7.59
CANADA *		7.250	06/03	98.3000	-0.400	7.49	7.47	7.41
DENMARK		8.000	06/03	99.4000	+0.400	8.05	8.12	8.67
FRANCE	STAN	8.000	05/98	103.9161	+0.170	7.06	7.12	7.79
	OAT	8.500	04/03	108.3100	+0.440	7.20	7.32	7.56
GERMANY		7.125	12/02	103.5250	+0.250	6.61	6.63	6.81
ITALY		11.500	03/03	94.0650	+0.155	12.95†	12.77	12.98
JAPAN	No 119	4.600	06/99	102.9384	-0.309	4.21	3.95	3.79
	No 145	5.500	03/02	108.4421	-0.575	4.20	3.99	3.81
NETHERLANDS		7.000	02/03	102.2900	+0.200	6.67	6.60	6.72
SPAIN		10.300	06/02	92.8501	+0.527	11.58	11.31	11.87
UK GILTS		7.250	03/98	102-05	-	6.74	6.68	6.62
		8.000	06/03	81-20	-10/32	7.76	7.59	7.80
		9.000	10/08	106-01	-3/32	8.30	8.13	8.33
US TREASURY *		6.250	02/03	100-17	-18/32	6.17	5.98	6.14
		7.125	02/23	102-18	-5/32	6.92	6.80	6.85
ECU (French Govt)		8.000	04/03	102.6500	+0.360	7.61	7.45	7.87

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	5	93	8	44	272	69
Other Fixed Interest	0	10	5	3	29	43
Commercial, Industrial	247	382	794	1,179	1,788	4,076
Financial & Property	85	171	541	442	1,023	2,518
Oil & Gas	19	17	48	78	112	238
Plantations	0	1	7	2	4	34
Mines	16	27	98	165	109	418
Others	42	37	44	191	222	191
Totals	415	888	1,640	2,092	3,556	7,580

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2852.9 +0.1	3099.0 -14.6	1396.13 -1.51

	Mar 26	Day's change	Mar 25	Mar 24	Mar 23	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2852.9	...	2852.5	2880.8	2881.1	2447.9	6.26	4.28	20.44	19.86	2957.3 8/3/93	2281.0 25/8/92	2957.3 8/3/93	986.9 23/7/84

Price for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 873 4378.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

JAPAN

INDICES

NEW YORK

DOW JONES	Mar 25	Mar 24	Mar 23	Mar 22	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3461.32	3445.38	3461.88	3463.46	3478.34 (10/3/93)	3136.58 (9/10/92)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	108.88	108.24	108.17	108.37	108.58 (18/3/93)	98.41 (20/3/92)	108.58 (18/3/93)	54.99 (1/10/81)
Transport	1583.55	1540.80	1581.14	1530.89	1589.61 (8/2/93)	1284.40 (25/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	241.74	240.42	239.38	239.61	241.99 (10/3/93)	200.74 (8/4/92)	241.99 (10/3/93)	10.50 (8/4/32)

DJ Indl. Day's High 3485.36 (3488.14) Low 3429.44 (3417.65) (Theoretical♦)
Day's High 3472.87 (3480.50) Low 3444.57 (3430.52) (Actual♦)

STANDARD AND POOR'S

	Mar 25	Mar 24	Mar 23	Mar 22	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	450.88	448.07	448.76	448.88	456.33 (10/3/93)	394.50 (8/4/92)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¶	517.97	513.61	516.12	516.88	524.99 (10/3/93)	470.91 (8/4/92)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.73	44.44	44.46	44.02	45.43 (10/3/93)	32.40 (8/4/92)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	248.33	248.91	247.26	247.34	251.36 (10/3/93)	217.92 (8/4/92)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	419.12	418.28	419.66	419.18	423.08 (16/3/93)	364.85 (9/10/92)	423.08 (16/3/93)	29.31 (9/12/72)
NASDAQ Composite	681.01	674.36	678.84	678.02	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 19	Mar 12	Mar 5	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.98	2.99	2.80

	Mar 24	Mar 17	Mar 10	year ago (approx.)
S & P Industrial div. yield	2.48	2.48	2.44	2.62
S & P Ind. P/E ratio	26.08	26.13	26.62	28.78

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
West Elec	7,421,200	18½	+ 1⅛
ACE	6,677,500	28⅝	---
Life Partners	6,344,600	20	---
Philip Morris	4,566,900	61½	- 1⅛
Merck	4,508,200	35⅞	+ ⅛
Nat Med Ent	3,366,000	8¾	- ¼
IBM	2,801,500	50⅝	- ½
Chrysler	2,305,900	39⅞	+ ⅝
Gen Motors	2,303,100	38½	- ⅜
Bristol Myers	2,113,900	57⅝	- ⅜

TRADING ACTIVITY

† Volume (Millions)	Mar 25	Mar 24	Mar 23
New York SE	250.020	271.980	233.317
Amex	18.069	14.437	12.945
NASDAQ	219.287	243.327	228.148
NYSE			
Issues Traded	2,485	2,488	2,484
Rises	1,129	898	891
Falls	741	1,004	970
Unchanged	615	586	623
New Highs	102	93	89
New Lows	24	31	24

CANADA

TORONTO	Mar 25	Mar 24	Mar 23	Mar 22	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2939.89	2950.00	2988.58	2956.92	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3612.04	3603.70	3598.73	3583.74	3666.00 (16/1/92)	3186.40 (14/10/92)
MONTREAL Portfolio	1855.31	1856.62	1856.83	1852.81	1937.59 (16/1/92)	1683.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow dragged down by bond market sell-off

Wall Street

US equities drifted in a narrow range yesterday morning before a bond market sell-off started to drag stocks lower at midsession, *writes Karen Zagor in New York.*

At 12.30 pm, the Dow Jones Industrial Average was down 9.72 at 3,451.60. The more broadly based Standard & Poor's 500 was off 1.81 at 449.07, while the Amex composite was up 0.55 at 419.67, and the Nasdaq composite declined 0.66 at 680.35. Trading volume on the NYSE was short of 120m shares by 12.30 pm, and declines outnumbered rises by 873 to 786.

Equities shrugged off the economic news of the morning, including a slight downward revision of fourth quarter GDP, which rose 4.7 per cent.

The increased revision of the inflation indicators put pressure on bond prices, which were already shaky after the Wall Street Journal reported that the Federal Reserve was concerned about inflation. Bond prices were also weighed down by an abundance of supply after this week's two and five year note auctions. At midsession, the Treasury's benchmark 30-year bond was ⅞ lower at 102⅞, yielding 6.905 per cent.

Northern Telecom was one of the chief contributors to the morning decline as its shares plunged $4⅞ to $35¾ after the company released first quarter earnings that were substantially lower than expected late on Thursday.

Merrill Lynch reduced its intermediate-term rating on the stock to "neutral" from "above average", although its long-term investment rating remains "above average".

International Business Machines and RJR Nabisco Holdings were among the most active stocks on the New York Stock Exchange after IBM ended speculation about its new chief executive by naming RJR chairman Mr Louis Gertsner to the post. Although the appointment was widely expected, it contributed to heavy trading in the shares. IBM rose $⅛ to $51 and RJR was unchanged at $8.

Bankers Life Holding was quoted at $24½ at midsession. An initial offering of 17m shares was priced at $22 a share Thursday.

Ashland Oil slipped $1 to $27⅝ following the prediction of a first quarter loss of about $3m, or 5 cents a share, compared with a deficit of $13m, or 23 cents, a year earlier.

Grim first-quarter predictions from Medic Computer Systems late on Thursday sent shares in the company tumbling $4⅝ to a 52-week low of $7 in Nasdaq trading. Medic expects to earn about 7 or 8 cents a share in the quarter.

In the technology sector, Dell Computer eased $⅛ to $36⅝, Apple Computer fell $1⅛ to $53⅞, Microsoft lost $⅝ to $86⅞ and Lotus Development added $⅝ to $27⅞.

Canada

TORONTO was lower at midday as losses in Northern Telecom and BCE, along with weak bond prices, weighed on sentiment. Northern Telecom fell C$6 to C$47⅞ in volume of some 1.2m shares. BCE, which has a 52 per cent stake in Nortel, lost C$1 to C$44⅞.

The TSE-300 index fell 19.1 to 3,692.90 in volume of 35.1m shares valued at C$369m. Advances led declines 257 to 243 with 268 unchanged.

SOUTH AFRICA

GOLD shares were depressed by some profit-taking ahead of the weekend and the index lost 22 to 1,154. The overall index eased 6 to 3,556 and industrials 11 to 4,476. Vaal Reefs shed R5 to R200 as De Beers rose R1 to R74.50.

Switzerland pauses after scaling new peaks

Ian Rodger finds analysts divided on the outlook for one of Europe's best performing markets

Has the upper limit been reached? That headline, on a recent research circular on the Swiss stock market, is certainly the question on investors' minds these days.

The Swiss market was one of the best performers in the world last year, with the all-share Swiss Performance Index (SPI) advancing 17.6 per cent to 1,238.6 at the year-end. It has got off to a brisk start this year too, with a 6.4 per cent rise up to this week. But in the past few days it has stalled.

"In the short term, we are going to be in a correction phase," Mr Beat Philipp, head of research at Bank Vontobel in Zurich predicts, and many others agree.

There is also a consensus that the market is unlikely to fall much, if at all. "As long as interest rates can go down, there will be no more than a 5 per cent decline," says Mr Bernard Tschanz, head of research at Credit Suisse.

Analysts differ, however, on whether the Swiss market is likely to outperform others this year. "The upward trend is still there, but we do not expect the market to outperform other European markets again this year," says Mr Serge Ledermann, head of Swiss research at the Geneva private bank Lombard, Odier.

Mr Philipp and others are more optimistic, citing the defensive quality of many leading Swiss equities, the positive risk premium (stock market earnings yield over bond yield) in the Swiss market and the expectation of lower interest rates.

The market's strength so far this year has come mainly from the declining trend in interest rates. Reflecting that trend, the SPI bank index has risen by a handsome 11.6 per cent. Also, investors have been buying a wider range of equities than they had bought for many years.

Some of the best performing shares have been in the second division of quoted companies. The new MILO index of shares of the 50 companies ranking after the 18 in the SMI blue chip index has gained 14.2 per cent.

Cyclical stocks, many of which figure in the MILO list, have had a particularly good run. The SPI machinery and construction indices have both jumped by more than a fifth, partly reflecting recognition of the big effort many of the leading companies have made in the past couple of years to improve efficiency.

Of course, investors were also hoping that these companies would soon be benefiting from an end to recessionary conditions in European economies, but that prospect seems to be receding into the future. Recent profit reports from leading industrial companies have made clear that the outlook remains bleak.

Mr Percy Barnevik, president of ABB Asea Brown Boveri, for example, said at the group's press conference two weeks ago that he could only hope for "some improvement" in 1994 and a real upturn in 1995.

Brown Boveri bearer shares, which had run up from SFr3,590 at the beginning of the year to SFr4,040 on March 11 when the results were published, have since eased to SFr3,920.

A more substantial shock came from Georg Fischer, the foundries group which has been carrying out major restructuring in the past year. The bearer shares raced up from SFr655 on January 4 to over SFr800 in early February in anticipation of an early profits recovery. But then the group, which is highly dependent on the German motor industry, warned that its 1992 profits would be "significantly below" the 1991 level, and the shares have since settled back to around SFr750.

"We think many of these companies are now overvalued," says Mr Wolfgang Strub of Swiss Volksbank. Others agree that the rush to cyclicals was premature.

However, with the continuing downward trend in interest rates, liquidity will continue to flow into the market. Most analysts think that bank and insurance company shares are still attractive, even after their substantial price rises in recent months.

Then the normal tendency would be to head for the defensive stocks. Nestlé, a favourite in this category, is likely to continue to attract interest following the publication this week of increased profits and the announcement of a simplified share structure to appeal to international investors.

The prospects for shares of the other defensive favourites – the big pharmaceutical companies, Ciba-Geigy, Roche and Sandoz – are less clear. Like pharmaceutical companies everywhere, they are suffering from uncertainty over what will emerge from the US government's health policy review.

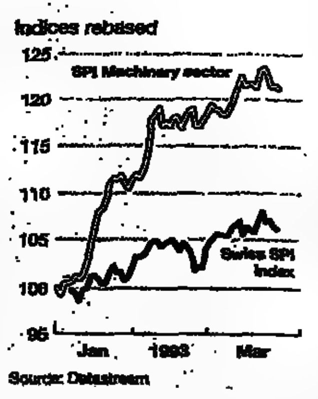
The SPI chemical and pharmaceutical index is off 3 per cent since the beginning of the year, even though the companies themselves are doing well.

Mr Tschanz takes a fairly relaxed view of the potential political problems. He thinks the shares of the big three are fully priced at the moment, "but if they fall further, investors should buy them".

Others suspect that investors are discounting the worst possible outcome from the US policy review and that once the uncertainty about it is removed the cloud over the shares will clear.

Mr Ledermann, on the other hand, thinks that the heyday of the pharmaceuticals is over. "We think that Swiss companies are well diversified, have big research budgets and make lifesaver products. That should enable them to do better than many of their competitors, but the era of super performance is finished," he predicts.

As pharmaceuticals account for roughly 30 per cent of the capitalisation of the Swiss market, the outcome of this issue is likely to be decisive in the market's performance this year.



Source: Datastream

EUROPE

Paris is supported by hopes for lower interest rates

DOMESTIC and international issues continued to vie for investors attention, *writes Our Markets Staff.*

PARIS was supported by hopes of lower interest rates as the CAC-40 index advanced a further 24.40 to 2,025.78, up 3.2 per cent on the week. Turnover was strong at FFr4.5bn.

Among stocks liable to benefit from an easing in rates, Soc Gen rose FFr14 to FFr639 while Crédit Lyonnais CI's rose FFr15 to FFr600 in spite of bad results expected on Monday. Candidates for early privatisation by the new government, Elf Aquitaine and Total, improved respectively FFr5.10 to FFr386.20 and FFr5.60 to FFr263.50.

Peugeot surprised many analysts with a rise of FFr23 to FFr592 with foreign buying being noted.

FRANKFURT rose gently on day, the DAX index closing 4.14 higher at 1,661.29 in turnover up from DM6.9bn to DM7.2bn; but it lost 2.2 per cent on a week subdued by the Russian political crisis.

Good results from Commerzbank took the shares upDM4 to DM293.

The automotive sector stayed active, while Daimler was virtually flat at DM616.20, its Mercedes associate rose DM10.50 to DM485.50 on speculation that shares in the latter, each representing one Daimler unit, will be converted into Daimler shares eventually.

Continental ended DM6.60 higher at DM217.60, hoping that German investors planning to buy Pirelli's 31 per cent stake will pay the DM230 a share that Pirelli wants.

MADRID was lifted by falling deposit rates and futures arbitrage. The general index closed up 3.00, or 1.27 per cent at 238.65, 1.1 per cent higher on the week.

The Corporacion Banesto bid for its Urbis property associate moved shares in the group. Urbis was suspended, but the parent bank advanced Pta50 to Pta2,530 and Corporacion Banesto was up Pta190, or 10.8 per cent to Pta1,950.

AMSTERDAM marked VNU up Fl 3 to Fl 104 after Thursday's results as the CBS Tendency index improved 0.6 to 106.4, down 1.2 per cent on the week.

KLM put on 40 cents to Fl 28.20, cautious about press reports which suggested that merger talks with three other European airlines were continuing. Switching out of Wolters Kluwer, down Fl 1.10 at Fl 88.80, into Elsevier was noted as the latter forecast earnings growth in 1993/94. Its shares closed down Fl 1.70 at Fl 127.10.

MILAN saw a rally in banks, looking forward to privatisation rather than back on this week's results. The Comit index was 0.59 easier at 486.92, and 1.9 per cent lower on the week. Credito Italiano fixed L65 ahead at L2,725 while Banca Commerciale Italiana closed L73 higher at L4,521.

Fiat slipped L55 to settle at L5,700 but picked up to L5,860 after hours as it shrugged off reports that the company allegedly used a secret Swiss bank account to make illicit payments to political parties.

Pirelli gained L50 to L1,421 on unconfirmed reports that a German consortium would offer DM230 per share for its stake in Continental.

ZURICH found renewed demand from institutional buyers, particularly in the recently neglected insurance sector, and the SMI index rose 22.5 to 2,160.0, a 1 per cent decline on the week.

Foreign demand took Swissair SFr15 or 2.6 per cent higher to SFr595 on the re-emergence of reports that it planned an international merger.

STOCKHOLM was again dominated by Ericsson, the B shares closing SKr5 higher at SKr265, up 9.5 per cent on the week. The Affärsvärlden general index rose 10.8 to 997.1, down 1 per cent on the week.

DUBLIN extended its gains on the overnight cut in interest rates, the ISEQ overall index closing 20.75 higher at 1,478.04 for a 1.1 per cent rise on an up and down week.

FT-SE Actuaries Share Indices

March 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1143.24	1144.36	1145.19	1145.58	1146.73	1146.66	1146.62	1147.31
FT-SE Eurotrack 200	1215.31	1216.77	1215.85	1215.57	1216.37	1216.01	1216.09	1213.80

	Mar 25	Mar 24	Mar 23	Mar 22	Mar 19
FT-SE Eurotrack 100	1133.06	1130.66	1131.55	1129.56	1145.37
FT-SE Eurotrack 200	1200.17	1202.56	1203.95	1204.64	1223.70

[illegible]

ASIA PACIFIC

Nikkei stocks close at high for the year

Tokyo

ACTIVE buying by dealers and foreign investors initially supported share prices, and the index fluctuated between buying and profit-taking, finally closing at a new high for the year, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 23.78 to 18,788.70 after a low of 18,676.67 and a high of 18,897.61, for a week's gain of 1.35 per cent. Index-linked selling and profit-taking in the afternoon cut some of the early gains.

Volume surged to 800m shares from 470m. Heavy buying by brokers on their own accounts lifted activity, advances leading declines by 765 to 294 with 79 issues unchanged. The Topix index of all first section stocks rose 14.18 to 1,428.20 and, in London, the ISE/Nikkei 50 index xxxx xxxxx to xxxxxx .

Dealers bought large-capital issues, while foreign investors focused on electronics and communications. The Tokyo Stock Exchange announced that foreign investors were net buyers for the third consecutive week, purchasing Y128.2bn worth of stocks. Individuals were also net buyers of Y10bn, while banks sold a net Y42.6bn, investment trusts sold a net Y62bn, and insurance companies liquidated a net Y8.8bn.

The National Land Agency reported an accelerated decline in land prices last year, heightening hopes that the property market had bottomed out. The real estate sector was the day's top performer, rising 7.27 per cent, as Mitsui Fudosan gained Y70 to Y1,280 and Mitsubishi Estate put on Y52 to Y1,050.

Electronics firmed on foreign buying. NEC rose Y59 to Y894 and Sony advanced Y130 to Y4,230. Nippon Telegraph and Telephone rose Y15,000 to Y843,000, leading the way for other telecom related issues. Kyowa Exeo rose Y45 to Y1,040 and Japan Radio Y110 to Y1,600. In Osaka, the OSE average rose 306.78 to 19,965.87, in volume 33.2m shares, on active buying by individuals and dealers.

Roundup

THE region was mixed, with most of the excitement on the upside.

HONG KONG's Hang Seng index ended 94.28 higher at 6,341.25, up 4.2 per cent on the week, after a top Chinese official for Hong Kong, Lu Ping, said that he hoped that the British colony's planned new airport could be built by 1997.

Turnover was HK$3bn, down from HK$3.7bn. Blue chips posted big gains, airport-related construction companies were also strong and Jardine Matheson, especially sensitive to political developments, jumped HK$1.50 to HK$48.75.

AUSTRALIA was led higher by resource stocks as the All Ordinaries index rose 15.2 to 1,675.9, fractionally lower on the week. Options-related trade boosted turnover from A$260.1m to A$553.1m. Prices were also helped by the government's confirmation that company tax rates will be cut on July 1.

NEW ZEALAND's NZSE-40 index gained 15.08 to 1,575.09, 1 per cent lower on the week, with most of the day's rise attributable to Telecom, Fletcher Challenge and Lion Nathan. Telecom gained 8 cents to NZ$2.83 after a strong overnight showing in New York, Fletcher Challenge 6 cents to NZ$2.51 on strong lumber prices and Lion Nathan 4 cents to NZ$3.80, apparently on simple volatility.

SEOUL extended its creeping correction to a third straight session, the composite stock index falling 3.67 to 659.02, still only 0.6 per cent down on the week. Brokers said that investors shrugged off the announcement of further interest rate cuts.

BANGKOK fell further in afternoon trade although the SET confirmed that it would postpone implementing new, stricter margin requirements. The SET index fell 8.64 to 867.44, 4.9 per cent lower on the week. BOMBAY reopened after a two day holiday with a fall in the BSE index of 37.13 to 2,341.42, down 1.5 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 25 1993								WEDNESDAY MARCH 24 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	138.41	+0.5	139.21	102.67	118.16	129.62	-0.1	3.81	137.68	137.69	101.70	116.57	129.76	153.88	108.18	143.15
Austria (18)	139.82	-0.6	140.63	103.72	119.38	119.25	+0.1	1.90	140.66	140.67	103.90	119.10	119.16	186.70	131.16	173.24
Belgium (42)	147.66	-0.6	148.52	109.52	126.05	123.28	+0.1	4.94	148.57	148.58	109.73	125.78	123.11	152.27	131.19	136.96
Canada (113)	125.97	+0.2	126.71	93.44	107.53	113.47	+0.2	2.93	125.70	125.70	92.84	106.41	113.27	142.12	111.36	129.92
Denmark (33)	195.66	-0.7	196.80	145.14	167.03	167.85	-0.1	1.37	197.09	197.10	145.58	166.87	167.94	273.94	181.70	229.81
Finland (23)	73.77	+0.0	74.20	54.73	62.98	91.81	+0.4	1.36	73.74	73.74	54.47	62.43	91.46	89.80	52.84	77.96
France (96)	159.29	+1.4	160.22	118.16	135.97	139.42	+2.2	3.15	157.01	157.02	115.97	132.92	136.45	168.75	138.93	152.09
Germany (62)	111.10	-0.9	111.75	82.43	94.84	94.84	+0.0	2.24	112.07	112.07	82.79	94.88	94.88	129.89	101.59	118.89
Hong Kong (55)	250.09	+0.3	251.55	185.51	213.51	248.25	+0.3	3.74	249.46	249.48	184.26	211.22	247.59	262.28	176.36	209.40
Ireland (16)	150.93	-0.1	151.81	111.96	128.85	143.70	+0.8	3.65	151.06	151.07	111.58	127.90	142.62	173.71	122.98	157.81
Italy (73)	56.54	-0.6	56.87	41.94	48.26	67.68	+0.0	2.94	56.90	56.90	42.03	48.17	67.69	80.86	47.47	68.92
Japan (471)	121.02	+0.9	121.72	89.77	103.32	89.77	+1.4	0.93	119.90	119.91	88.56	101.53	88.56	140.95	87.27	106.61
Malaysia (69)	277.30	+0.0	278.92	205.69	236.72	277.43	+0.0	2.41	277.33	277.34	204.83	234.79	277.43	282.42	212.49	242.08
Mexico (18)	1573.49	+1.9	1582.66	1167.20	1343.25	5351.23	+1.8	1.12	1544.12	1544.21	1140.53	1307.33	5256.39	1789.77	1185.84	1761.25
Netherland (24)	163.85	-0.9	164.80	121.54	139.88	138.16	+0.0	4.09	165.27	165.28	122.07	139.93	138.15	169.70	147.88	148.91
New Zealand (13)	45.92	+1.0	46.19	34.06	39.20	45.63	+0.6	4.79	45.45	45.45	33.57	38.48	45.34	48.52	37.39	43.20
Norway (22)	153.52	-0.2	154.41	113.88	131.06	145.55	+0.7	1.81	153.84	153.85	113.63	130.25	144.40	192.95	128.05	169.04
Singapore (38)	217.81	+0.0	219.07	161.57	185.93	164.96	+0.0	2.01	217.81	217.82	160.88	184.40	164.96	229.63	179.65	205.75
South Africa (60)	174.72	+1.8	175.74	129.60	149.15	174.33	+1.6	2.89	171.67	171.68	126.79	145.34	171.56	283.60	134.21	227.14
Spain (46)	126.20	-0.4	126.93	93.61	107.73	112.14	+0.5	5.38	126.75	126.76	93.63	107.31	111.63	161.72	107.10	151.02
Sweden (36)	154.79	-0.4	155.69	114.82	132.14	179.37	+0.5	1.89	155.43	155.44	114.81	131.60	178.44	200.28	149.69	187.11
Switzerland (56)	112.94	-1.3	113.60	83.79	96.43	106.57	-0.4	2.06	114.48	114.48	84.56	96.93	107.03	122.37	95.99	98.22
United Kingdom (226)	170.01	-1.0	171.00	126.10	145.12	171.00	-0.4	4.31	171.64	171.65	126.77	145.31	171.65	200.07	161.86	170.09
USA (522)	183.95	+0.6	185.02	136.46	157.04	183.95	+0.6	2.76	182.77	182.78	135.01	154.75	182.77	186.27	160.92	166.62
Europe (775)	139.55	-0.6	140.36	103.51	119.13	131.71	+0.2	3.52	140.33	140.33	103.65	118.81	131.51	156.88	131.31	140.74
Nordic (114)	145.86	-0.4	146.71	108.20	124.52	146.95	+0.4	1.70	146.49	146.50	108.20	124.03	146.39	188.52	141.24	172.85
Pacific Basin (714)	125.64	+0.9	126.37	93.20	107.26	95.76	+1.2	1.26	124.58	124.59	92.02	105.48	94.62	141.37	93.70	111.26
Euro-Pacific (1489)	131.21	+0.2	131.98	97.32	112.01	110.36	+0.7	2.24	130.90	130.91	96.68	110.82	109.55	145.21	113.80	123.29
North America (635)	180.34	+0.6	181.39	133.79	153.96	179.17	+0.6	2.76	179.22	179.23	132.39	151.76	178.06	182.38	158.70	164.30
Europe Ex. UK (549)	120.66	-0.3	121.37	89.53	103.03	109.73	+0.5	2.98	121.01	121.02	89.40	102.48	109.16	132.98	111.33	122.53
Pacific Ex. Japan (243)	171.18	+0.3	172.18	127.00	146.15	156.43	+0.1	3.48	170.64	170.65	126.06	144.49	156.29	175.31	146.06	157.20
World Ex. US (1680)	132.38	+0.3	133.15	98.20	113.01	112.45	+0.7	2.26	132.02	132.02	97.52	111.78	111.82	146.91	115.99	125.75
World Ex. UK (1976)	146.72	+0.6	147.57	108.84	125.26	130.77	+0.8	2.27	145.84	145.86	107.75	123.52	129.70	150.58	127.21	135.58
World Ex. So. Af. (2142)	148.69	+0.4	149.56	110.31	126.94	134.00	+0.7	2.46	148.08	148.09	109.38	125.38	133.06	153.05	130.04	136.01
World Ex. Japan (1731)	164.94	+0.2	165.90	122.36	140.83	160.07	+0.5	3.04	164.55	164.56	121.55	139.34	159.34	166.44	151.93	156.74
The World Index (2202)	148.76	+0.4	149.63	110.36	127.00	134.38	+0.7	2.46	148.13	148.14	109.42	125.43	133.44	153.70	130.66	138.58

Latest prices were unavailable for this edition. Markets closed 25/3/93: Malaysia & Singapore.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years) — Five to Fifteen Years — Over Fifteen Years — Undated — Index-Linked

[illegible]

OTHER FIXED INTEREST

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for July 1992: 138.8 and for February 1993: 138.8.

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price $	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18½xd	+⅛	21¼	14⅝	13,784	2.9
Allegheny & W.	♥	570p	+12	571p	228p	298.2	3.8
Amdahl		440p	—	1158p	438p	494.1	1.8
Amer Cyanamid		33⅝	+⅛	38⅝	28⅞	3,054	3.4
Amer Express		16⅞xd	+⅛	19½	10¼	9,022	3.7
Amer T & T		38⅝xd	+⅛	40⅝	20⅝	51,699	2.3
Ameritech		51	–⅞	52¾	32½	22,329	5.0
BankAmerica		33½xd	+⅛	35¼	19¼	11,880	2.8
Bankers NY		48⅜xd	–⅞	61⅛	28⅝	3,882	4.3
Bell Atlantic		38½	+⅛	39½	23⅛	15,801	5.1
BellSouth		37¼	+⅛	39⅞	25	18,387	5.2
Bethlehem Steel	♥	12xd	–¼	13¼	6¼	1,088	–
Bowater		1584pxd	–22	1982p	905p	577.8	1.7
CPC		36⅝xd	–¼	34⅝	22⅞	4,638	2.9
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1435p	—	1478p	581p	261.3	–
Chase Manhattan		23½xd	+⅛	24½	9⅛	3,611	3.5
Chrysler		28⅞xd	+⅛	28⅞	6¼	7,778	1.6
Citicorp		19⅝xd	+⅛	20¼	5⅞	7,174	–
Colgate-Palm		44⅞xd	+⅛	45⅝	25¼	7,115	1.9
Cont'l Bank		1612p	+2	1648p	489p	1,631	2.3
Dana		31⅛xd	–⅛	34⅛	14⅛	1,424	3.5
Data General		847p	+13	1004p	384p	232.7	–
Dixons Inds	♥	148p	—	148p	88p	–	–
Dun & Brad		40⅛	–½	42⅛	27⅝	7,148	3.9
Eaton		58½	—	58⅝	32½	2,023	2.6
Echlin		19⅞xd	–⅛	19⅞	7⅞	927.8	3.0
FPL		25⅛xd	–⅛	27⅝	17⅞	4,598	6.7
Ford Motor		35¼	–¼	35⅞	15	17,208	2.0
Gen Elect		60⅝xd	—	61¼	38¼	81,998	2.9
General Host	♥	621p	–2	723p	360p	–	4.0
Gillette		40½xd	+⅛	42⅞	23⅞	8,888	1.2
Hasbro		29⅞	—	23½	12⅞	1,815	0.8
Honeywell		22⅞xd	–⅛	24⅛	16	3,050	2.8
Houston Inds		32	+⅛	33⅞	22	4,144	6.4
IBM		34⅞xd	+⅛	64½	33⅝	19,813	4.9
Ingersoll-Rand		21⅝xd	–⅛	25	12⅞	2,259	2.2
Lockheed		42	+½	42½	22⅞	2,577	3.5
Lowe's		2290p	+48	2290p	815½p	1,670	0.8
Merrill Lynch		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 High	Low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		169	$-\frac{1}{2}$	201	147	3.3	231.9	18.5
Warrants		42	—	49	21	–	–	–
Scot Mortgage		$182\frac{1}{2}$	-2	201	135	2.5	214.5	10.3
Scot National Inc		$83\frac{1}{2}$	—	107	$65\frac{1}{4}$	12.9	–	–
Cap		20	—	42	$12\frac{1}{2}$	–	72.3	72.3
Stepped Pf		$151\frac{1}{4}$	—	$155\frac{1}{2}$	126	8.2	–	–
Zero Div Pf		$207\frac{1}{2}$	$-\frac{1}{2}$	212	$160\frac{1}{2}$	–	–	–
Warrants		3	$-\frac{1}{2}$	5	3	–	–	–
Scot Value		$78\frac{1}{2}$	—	79	45	3.1	76.5	-4.5
Sec Alliance		1445	-5	1501	1066	3.4	1614.1	10.5
Second Consol		111	—	112	82	–	182.4	39.2
Second Market		319	—	329	222	0.8	350.8	9.2
Sec Tst Scot		$80\frac{1}{2}$	—	$84\frac{1}{2}$	67	5.4	84.7	5.3
Select Assets		129	—	139	$78\frac{1}{2}$	1.3	167.3	23.0
Eq Ind Sert		131	—	134	109	4.3	–	–
Eq Ind Sert		135	—	136	108	4.3	–	–
SHIRESCOT		119	—	123	98	5.9	121.8	2.3
Shires		251xd	+1	262	186	9.8	247.5	-1.1
11pc Cv Ln '03/04		$£128\frac{1}{2}$	—	$£131\frac{1}{2}$	$£95\frac{1}{2}$	8.7	–	–
Siam Select		131	—	138	90	0.3	147.0	10.9
Warrants		36	—	37	15	–	–	–
Smaller Cos		97	—	98	65	3.6	107.3	9.6
Warrants		26	—	26	10	–	–	–
Sphere Inc		$18\frac{1}{2}$	—	$21\frac{1}{2}$	$9\frac{1}{2}$	18.2	31.5	41.3
Zero Div Pf		$94\frac{1}{4}$	—	$95\frac{1}{4}$	$82\frac{1}{4}$	–	–	–
Stratt		47xd	—	55	39	4.8	90.3	47.9
TR City of Lon		133	—	$140\frac{1}{4}$	$97\frac{1}{2}$	4.8	130.1	-2.8
TR Euro Growth		100	-1	100	70	1.7	109.2	8.1
Ptg Sub		35	—	38	27	3.3	–	–
TR Far East Inc		123	—	130	76	4.5	131.8	6.5
Warrants		29	—	$30\frac{1}{2}$	12	–	–	–
TR High Inc		113	—	118	91	7.3	114.5	1.3
Sub		38	—	35	21	8.7	–	–
[illegible]								

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1992/93 High	Low	Mkt Cap£m	Yld Gr's
Eastern Mining		10	—	$22\frac{1}{2}$	7	7.33	–
Glencar Expl		$6\frac{1}{2}$	—	16	6	1.28	–
Greenwich Res		$12\frac{1}{2}$	—	$16\frac{1}{2}$	2	8.64	–
Hanlo Gold C$		[illegible]	—	[illegible]	$23\frac{1}{2}$	478.8	2.1
Ivernia West		55	+5	55	30	28.7	–
Kenmare		$7\frac{1}{2}$	—	8	$2\frac{1}{2}$	6.96	–
Malings Res		16	$+\frac{1}{2}$	46	6	1.77	–
Minco Res		31	—	36	18	4.15	–
5pc Ln Notes		31	—	34	25	5.04	–
Oryx Gold		$55\frac{1}{2}$	—	165	$48\frac{1}{4}$	–	–
Pladsen		38	—	13	3	1.37	–
RTZ		570xd	-8	704	458	6,720	3.9
Vitrage		$8\frac{1}{4}$	—	$8\frac{3}{4}$	1	2.81	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- [illegible] where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- [illegible] issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- [illegible]
- ♦ Figures or report awaited
- [illegible]
- [illegible]
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension.
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♠ Merger bid or reorganisation in progress
- [illegible] interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. u Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

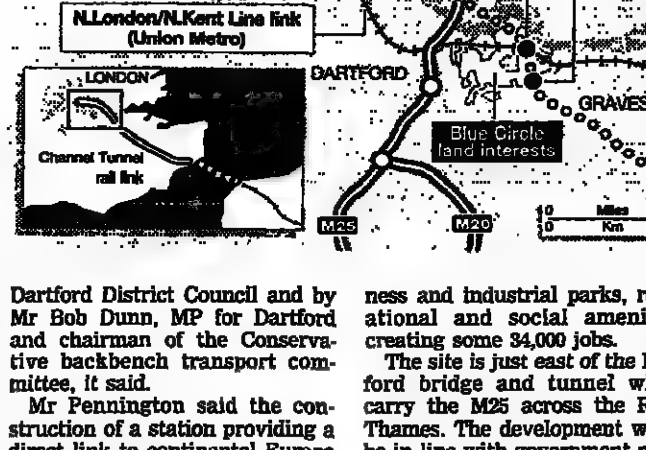
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FINANCIAL TIMES
Weekend March 27/March 28 1993

Proposed £500m project includes hotels, conference centre and offices

Blue Circle plans Channel rail link station



By Andrew Taylor, Construction Correspondent

BLUE CIRCLE Industries proposes to build a privately financed international railway station for the planned Channel tunnel link near Dartford in north-west Kent.

The station, which could cost up to £500m, would occupy about 350 acres of chalk quarries and waste ground, part of a 2,500-acre site owned by Blue Circle, Britain's biggest cement producer.

The land is on the route of the £2.5bn rail link, to be financed jointly by the private and public sectors, which was announced by the government earlier this week.

Blue Circle's plans include hotels, a conference centre, offices and shops as well as international and domestic passenger terminals. The station could include an interchange with British Rail lines eastward to the Medway towns and westward through south-east London to the centre of the capital.

The proposals are to be submitted shortly to ministers and Union Railways, the BR subsidiary responsible for developing the high-speed link, according to Mr Mark Pennington, Kent development manager for Blue Circle Properties. He will also seek meetings with banks and potential investment partners.

Blue Circle said the cost of the station would be met out of proceeds from the commercial development. The company would provide the land as its contribution to the investment. It believes the project could be completed without any public finance.

Blue Circle said it would begin local consultation shortly. The proposals were supported by Dartford District Council and by Mr Bob Dunn, MP for Dartford and chairman of the Conservative backbench transport committee, it said.

Mr Pennington said the construction of a station providing a direct link to continental Europe could act as a catalyst for a much bigger development of the entire 2,500 acres owned by Blue Circle. This includes the Eastern Quarry which currently supplies the group's Northfleet cement works.

Plans could eventually involve the construction of a new town with up to 12,500 homes, offices, shops, a conference centre, business and industrial parks, recreational and social amenities, creating some 34,000 jobs.

The site is just east of the Dartford bridge and tunnel which carry the M25 across the River Thames. The development would be in line with government plans to stimulate investment along the 30-mile East Thames Corridor.

Mr Michael Howard, the environment secretary, this week established a "task force" of civil servants to consider plans for redeveloping the corridor. He has so far stopped short of offering any contribution from the public sector.

Balladur moves to soothe relations with Mitterrand

By William Dawkins in Paris

MR EDOUARD BALLADUR, the senior Gaullist politician who is front-runner to become French prime minister next week, moved yesterday to soothe tension between the rightwing winners of the general election and Mr François Mitterrand, the isolated Socialist president.

The future coalition government of Gaullist RPR and centre-right UDF, and the president, must allow each other to carry out their responsibilities, said Mr Balladur.

The right is expected to confirm its sweeping victory in tomorrow's second round of voting, which could give the partners up to 480 seats in the 577-seat National Assembly, more than 80 per cent of the total.

Mr Balladur's remarks imply that, if Mr Mitterrand does choose him as prime minister, he will encourage the government not to interfere with the president's most cherished policies – European union and close links with Germany.

It looked increasingly likely yesterday that Mr Mitterrand would find Mr Balladur an acceptable choice as prime minister, after Mr Jacques Chirac, RPR leader, toned down his earlier calls that the president should resign in the light of the Socialists' low score in the elections.

Mr Mitterrand has stayed officially aloof from the past week's political turmoil, but leading Socialists have warned that he is unlikely to choose a prime minister from a party that seeks his downfall. Mr Mitterrand, who is technically free to appoint whom he likes, has said he will only choose a prime minister who supports closer European union.

Mr Chirac, prime minister in the previous *cohabitation* government from 1986 to 1988, does not want to repeat the uncomfortable experience of being prime minister under Mr Mitterrand, but neither does he want to let the job go to his more compliant coalition partner, the UDF.

"No one disputes the president's constitutional right to finish his term if he wishes," said Mr Chirac yesterday.

The staff of Mr Pierre Bérégovoy, the outgoing prime minister, were already packing their belongings to be ready to move out of the Matignon, his office and residence, on Monday, when he is expected to announce the government's resignation.

Alliance parties won 80 seats outright and 39.5 per cent of the vote in last Sunday's first round, with the RPR slightly ahead of the UDF. Several senior Socialists, including Mr Bérégovoy and former prime minister Michel Rocard, face a struggle to win seats tomorrow. They will be among 993 candidates subject to run-offs in the 497 constituencies that failed to produce a majority winner last weekend.

Mr Mitterrand will consult the winning party leaders before naming the new prime minister, possibly by Monday night. The new prime minister, in consultation with the president, will select cabinet members soon afterwards.

Cohabitation returns, Page 3

Exxon and Shell in $3bn gas project deal

By Joe Mann in Caracas

ROYAL Dutch Shell and Exxon have agreed a joint venture with Japan's Mitsubishi and Venezuela's national oil company for a $3bn (£2.1bn) gas project in eastern Venezuela.

The Christopher Columbus project, which has been under discussion for three years, involves gas production from offshore fields near Venezuela's Paria peninsula.

The joint venture partners also plan to build a gas processing plant onshore with the aim of exporting around 700m cu ft per day of liquefied natural gas, mainly to the US, by the end of the decade.

The project is one of the largest ever undertaken by Venezuela's national oil company, PDVSA, and is the first time foreign companies will be allowed to invest in Venezuela's natural gas sector since the industry was nationalised in the 1970s.

The agreement signed in Caracas yesterday committed the joint venture partners to invest about $200m over the next two years on preliminary development work.

It also settled differences between the partners over access to Shell's technology to be used in the liquefaction process, which had held up the three-year-long negotiations.

Lagoven, one of the operating units of PDVSA, initially estimated that the total cost of the project would run to $3bn, although the partners have not revealed any official forecasts. Some observers expect it to cost much more.

A $30m feasibility study and initial geological surveys indicated that the area contained around 15bn cu ft of gas in four fields.

There are still some questions which must be resolved. The partners want taxes applied to the project, to be set at the maximum corporate rate, not at the rate used for most activities in the petroleum and natural gas industries, which reaches over 65 per cent.

In addition, the Venezuelan Congress must approve the terms of partnership and the commercial association to develop the gas fields.

Yeltsin rivals urge compromise

Continued from Page 1

- indeed, measures approved by the cabinet on Thursday, including tightening credit and raising interest rates, indicate a more radical turn. Mr Yeltsin called for more emphasis on social support and said the crisis had been deepened by government mistakes.

The shift by the opposition to a position of statesmanlike compromise was led by Mr Valery Zorkin, chairman of the Constitutional Court, in his favoured role as political broker. Mr Zorkin had led the attack on the president's call to the nation for backing in a plebiscite, which he said was unconstitutional.

Yesterday, Mr Zorkin told deputies impeachment of Mr Yeltsin could be catastrophic. He produced a 10-point programme which would reshape the constitution to give the president a more powerful position, see the parliament draw up a law on elections for a two-tier parliament and hold elections for presidency and parliament in autumn.

Mr Yeltsin has not betrayed any enthusiasm for imminent elections, but he has said he is not against them.

Mr Ruslan Khasbulatov, the speaker, flatly made a speech of relative moderation in which he blamed Mr Yeltsin for the political impasse but said a compromise could and should be made.

General Alexander Rutskoi, the vice president who had opposed Mr Yeltsin's appeal and claim to assume special powers, launched a ferocious attack on the president's aides but then proposed an eight-point programme which accorded in most respects with what Mr Yeltsin wanted – including a plebiscite.

Regional and republican leaders who took the floor made clear that they supported Mr Yeltsin.

IBM appoints RJR Nabisco chief to top post

Continued from Page 1

thought to have been on IBM's short-list but Mr Burke yesterday dismissed speculation that Mr Gerstner had been low down that list.

"We made one specific offer for this job, and only one, and that was to Louis Gerstner," he said.

Mr Gerstner, who takes over as chief executive next Thursday, would not be drawn on his plans for the company, saying his first priority was to "listen and learn" about the business.

He saw "no quick fix" for IBM, but said the company had "the greatest reservoirs of management talent in the world".

He would work to improve results in a sustainable way and to improve shareholder value.

IBM shares, which have plunged from over $100 last summer to a recent low of under $50, rose $⅝ in morning trading yesterday, to $50⅞ as the market weighed the positive news of the appointment against a decision on Thursday night by Moody's, the credit information agency, to cut IBM's rating.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Colonia Knzn	960	+	20
Holzmann Ph	1034	+	13
Lahmeyer	671	+	11
Leifheit	487	+	20
Philips Kommun	555	+	35
Falls			
Springer Axel	590	-	5
New York ($)			
Rises			
IBM	51	+	½
Lotus Development	27⅛	+	⅛
Falls			
Apple Computer	53¼	-	1½
Ashland Oil	27¾	-	1
Microsoft	86¾	-	⅝
Northern Telecom	38¼	-	4⅝
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Grd Lyon	600	+	15
Ecco	415	+	10
Gaumont	610	+	20
Lyons Eaux	479	+	17
Sefimeg	474	+	11
Falls			
Valeo	782	-	7
Tokyo (Yen)			
Rises			
Nichimo	425	+	50
Shimadzu	670	+	83
Tokyu Land	815	+	85
Falls			
Nittetsu	336	-	24
Seibu Railway	3000	-	250
Yamaha	1110	-	90
London (Pence)			
Rises			
APV	106	+	5
Caird	26	+	2½
Celestion	152	+	18
Datapak Foods	212	+	11
Forward Group	188	+	14
Inchcape	601	+	14
Ivernia West	53	+	5
Newmark (L)	60	+	8
Portmeirion	373	+	18
Shield	12	+	3
Unigroup	28	+	4½
Wolstenholme Rink	480	+	27
Falls			
Barcom	78½	-	6½
Boots	486	-	13
CarnaudMetbox	2488	-	225
Erskine House	34	-	7
Fenner	65	-	22
Gestetner	115	-	8
HTV	29½	-	8½
Microvitec	26½	-	2½
Oriel Group	82	-	5
Ramco Oil	123	-	8
Sainsbury (J)	483	-	11
Wellcome	794	-	24

World Weather

UK Today: Dry and generally sunny over much of England and Wales after early frost in southern and eastern counties; some cloud over the west by the afternoon. Cloudy with occasional rain over northern Scotland and the Highlands.

		°C	°F																
				Cairo	S	24	75	Inverness	S	10	50	Milan	F	12	54	Salzburg	Sn	2	36
Ajaccio	F	11	52	Cape Town	S	21	70	Isle of Man	S	9	48	Montreal †	S	0	32	S'Francisco †	F	11	52
Algiers	F	9	48	Cardiff	S	10	50	Istanbul	S	19	66	Moscow	C	3	37	Seoul	S	13	55
Amsterdam	S	8	46	Chicago †	C	3	37	Jersey	F	9	48	Munich	Sn	2	36	Singapore	F	31	88
Athens	F	18	64	Cologne	F	6	43	Johannesburg	F	25	77	Nairobi	S	29	84	Stockholm	C	3	37
Bahrain	S	19	66	Copenhagen	F	4	39	Las Palmas	F	20	68	Naples	R	8	46	Strasbourg	C	5	41
Barcelona	S	16	61	Corfu	R	16	61	Leeds	S	8	46	Nassau		-	-	Sydney	S	25	77
Beijing	S	18	64	Dallas †	S	9	48	Lisbon	S	15	59	Newcastle	S	8	46	Tangier	S	19	66
Belfast	S	9	48	Dublin	S	10	50	Locarno	F	11	52	New Delhi	S	24	75	Tel Aviv	F	19	66
Belgrade	[illegible]	4	39	Dubrovnik	R	11	52	London	C	6	43	New York †	C	8	46	Tenerife	F	20	68
Berlin	F	3	37	Edinburgh	S	7	45	Los Angeles †	F	12	54	Nice	S	13	55	Tokyo	[illegible]	15	59
Bermuda	F	21	70	Faro	S	17	63	Luxembourg	C	5	41	Nicosia	S	20	68	Toronto †	Fg	-2	28
Birmingham	F	7	45	Florence	S	10	50	Madeira	S	18	64	Oporto	S	15	59	Tunis		-	-
Blackpool	S	10	50	Frankfurt	F	7	45	Madrid	S	11	52	Oslo	F	7	45	Valencia	S	15	59
Bombay	S	28	82	Geneva	F	5	41	Majorca	S	14	57	Paris	F	7	45	Vancouver †	S	3	37
Bordeaux	S	10	50	Gibraltar	S	18	64	Malaga	S	16	61	Perth	C	20	68	Venice	S	9	48
Boulogne	C	6	43	Glasgow	S	9	48	Malta	F	15	59	Prague	F	3	37	Vienna	Sn	4	39
Bristol	F	8	46	Guernsey	C	7	45	Manchester	S	9	48	Reykjavik	F	2	36	Warsaw	C	5	41
Brussels	F	8	46	Helsinki	Sn	1	34	Melbourne	F	21	70	Rhodes	F	20	68	Washington †	S	4	39
Budapest	F	7	45	Hong Kong	C	28	82	Mexico City		-	-	Rio d'Janeiro		-	-	Wellington	F	17	63
Buenos Aires		-	-	Innsbruck	Sn	1	34	Miami †	S	21	70	Rome	F	8	46	Zurich	F	5	41

Temperatures at midday yesterday † Noon GMT temperatures C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

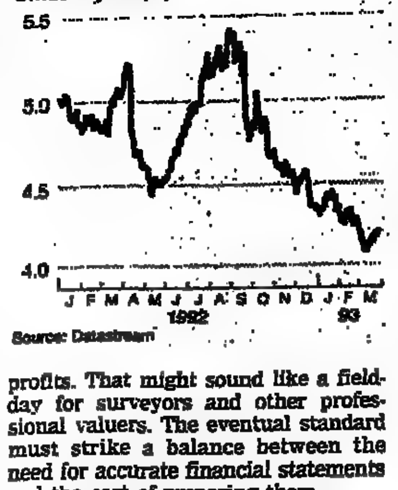
Shares yield ground

The FT-SE 100 index looks set to finish the first quarter of 1993 roughly where it began. Given the mixed bag of company results, that seems a reasonable outcome. Although the CBI struck an optimistic note this week, any sharp improvement in earnings may be some time coming. The comfort is that low interest rates are drawing cash into shares. Yesterday's figures showed £590m flowing into unit trusts in February, the lion's share ending up in UK equities.

With the yield on savings accounts so low, private investors are understandably looking for income from alternative investments. Having seen the tax credit on dividends shaved by the chancellor, pension funds are equally more interested than usual in yield. The accountants have also done their bit to sharpen the focus. Thanks to the new-style cash flow statement, companies' ability to pay dividends is easier to pin down, even though earnings figures are more volatile.

Yet investor concentration on yield may imply a cap on share prices. The market has shied away from pushing the yield on the All-Share index below 4 per cent. Smaller stocks have continued to outpace big international shares. But the cash flow of smaller companies might be expected to suffer most in the early stages of recovery. That may limit their ability to raise dividends. There is also the relative attraction of gilts to consider. With £3bn long-dated bonds to be auctioned next Wednesday and yields creeping up towards 8.5 per cent, competition for funds can only increase.

FT-SE Index: 2852.9 (+0.1)



UK accounting

Mr David Tweedie, head of the Accounting Standards Board, is canny enough not to fight more than one revolution at a time. The market is still coming to grips with the new shape of the profit and loss account under FRS3, so this week's discussion document on the balance sheet is modest by comparison. The proposal that companies should undertake regular revaluations of properties, marketable securities and long-term stocks is little more than an overdue rationalisation of the current hodge-podge of current cost and historical cost valuations.

Even so, companies will no longer be able to hold properties on the balance sheet at depressed historical values with an eye to realising a windfall profit on disposal. Regular asset valuations may also mean higher depreciation charges and, therefore, lower profits. That might sound like a field-day for surveyors and other professional valuers. The eventual standard must strike a balance between the need for accurate financial statements and the cost of preparing them.

But the market should expect a more radical reshaping of the balance sheet in coming years. Revaluing property and securities while leaving plant, machinery, liabilities – and, controversially, acquired goodwill – at historical cost is inconsistent. By turning its back on a US-style system of pure historical cost, the ASB may have signalled its intent. Next week's proposals on acquisition accounting will go one step further by asking companies to revalue acquired liabilities. With the ASB due to tackle the vexed topic of goodwill later this year, the market should be braced for more upheaval.

Hepworth

Hepworth is a classic recovery stock whose shares have seemingly sprinted too far ahead of recovery. Its share price has risen 48 per cent since October's low; the market seems uncertain where it should head next. Ratings across the building materials sector look heavy on this year's numbers. Longer term, though, they may prove meagre. Just as shareholders were caught out by the steepness of the downturn, they may well be surprised by the recovery. The market value of the entire building materials sector is equivalent to that of British Gas. It requires an extremely dim view of the UK economy to believe the sector's shares will not outperform on a three-year basis.

There are special factors at play at Hepworth. Its big presence in deteriorating continental European markets is the most significant. These activities, which account for 48 per cent of trading profits, are a lasting strength. They could, however, prove a short term embarrassment. Patient shareholders should nevertheless be rewarded. Hepworth's shares currently stand on a multiple of just nine times peak historic earnings. No one pretends its markets will recover their former buoyancy for many years, if ever, but Hepworth's severe cost-cutting should ensure far higher profitability on incremental sales increases.

Daimler-Benz

Two conclusions can be drawn from Daimler-Benz's plan to seek a New York listing. The first is that unification has created a long-term need for capital which is driving German companies to court overseas investors. That would imply a significant change towards an equity culture and a loosening of the banks' stranglehold on Germany's economy. Better treatment of shareholders would, over time, close the rating gap between German and US equity markets. The other possibility is that the US has compromised on its strict listing standards because of the NYSE's need to drum up extra business.

Both elements have probably influenced Daimler's move but their relative weighting will only become clear after full details of the listing deal are unveiled next week. Daimler's "disclosure" of DM4bn in reserves is less of a concession than it looks. It relates to the treatment of pension fund surpluses in subsidiaries but is unlikely to affect group figures. More important is whether Daimler is prepared to give quarterly segmental and geographical details of its business and, if so, what exemption from US accounting standards it has won in return.

For the US to relax disclosure requirements simply to win new business for the NYSE could be counter-productive for all concerned. Daimler arguably needs capital after the acquisitions of recent years, and to finance its expansion into leasing. But its ability to expand its shareholder base depends on its level of disclosure not just on the listing. If Daimler grasps this nettle, then it is to be applauded. But German companies may not rush to follow suit. Giving up one's right to smooth profits is especially hard at the onset of a recession.

Weekend FT

SECTION II

Weekend March 27/March 28 1993

Global change threatens to plunge the human race into crisis. But what to do? ***Paul Kennedy*** *examines the options . . .*

The time bomb under planet Earth

NO OBSERVER of contemporary trends can doubt that, as we pass from this century to the next, we are all going to be affected by broad forces for global change. The internationalisation of manufacturing, services and investment flow, with their impacts upon companies, towns and entire regions, is intensifying. New technologies, bright with promise for their inventors and investors, threaten to undermine traditional ways of making, growing and trading things. National currencies are dwarfed by the sheer volume of daily foreign-exchange dealings.

As Earth adds to its total population by nearly 95m people each year, the pressure upon environments and resources grows greater, the pace of illegal migration quickens, and entire societies in the developing world collapse under the strain. While each of us has to grapple with our own needs, we are also beginning to look anxiously towards the future.

Given the complexity of these forces for global change, it is not surprising that interpretations abound of what they may imply. To the "techno-triumphalists" in the United States – such as economist George Gilder and Ben Wattenberg, of the American Enterprise Institute – capitalist enterprise and scientific breakthrough are transforming our lives in profound though beneficial ways that only left-wing doomsters will deny. To Kenichi Ohmae, chairman of the Japanese arm of management consultant McKinsey, a "borderless world," in which the rules of the global market prevail over traditional state-centred concerns and governments become increasingly invisible, is at last in sight.

By contrast, Lester Thurow, dean of the Alfred P. Sloan school of management at the Massachusetts Institute of Technology, detects the emergence of three giant trading blocs – north American, Europe and east Asia – engaged in a bitter, head-to-head struggle for global economic advantage. The most recent world economic forum in Davos, Switzerland – that annual barometer of the prevailing economic mood – was full of talk about protectionism, containing the surging Japanese trade surpluses, paralysis in the Gatt process, the sagging German economy, saving Russia, and quarrels over aerospace subsidies. Not everyone, it seems, finds capitalism's "creative gales" as stimulating as Gilder.

But to focus on issues such as US-Japan trade relations or the plight of French farmers, important as they are, betrays a very "north-centric" bias that could, in turn, obscure understanding of the truly global changes affecting Earth and its 5.4bn inhabitants. With the benefit of hindsight, our children and grandchildren will presumably recognise, far more clearly than we, the relative insignificance of John Major's present difficulties or of Italian political scandals.

Upon which trends, however, should our gaze be focused were we to attempt to answer the question: "What are the really big forces for change bearing down upon our planet between now and 2025?"

The first change, surely, is that there are likely to be many more of us – perhaps as many as 8.5bn or 9bn people – and that around 95 per cent of those additional people will be born in the poorer regions of the globe. By contrast, the populations of the world's richer societies are forecast to grow slowly or even (as in Japan, Italy and France) to decline in absolute terms – unless, of course, they admit many millions of immigrants eager to flee their own lands, a point to which I will return.

Europe, north America and Japan may indeed slug it out head-to-head commercially over the next few decades but, as they do so, their collective demographic power will be falling steadily. When our present century began, Europe was at the height of its international influence and, perhaps not coincidentally, enjoyed its brightest-ever share of world population; during the next century, that share will shrivel to a mere 7 per cent or less.

These demographic forecasts suggest that the 21st century could bring neither a "new world order" nor a "borderless world" but, instead, a deeply troubled and fractured planet. China's population, which already (at 1.1bn) outstrips its land and water resources, is projected to rise to 1.5bn, exceeded only by India, heading towards 2bn. Africa, buckling under its existing 680m inhabitants, has perhaps only the growing pandemic of Aids to curb its forecast rise to 1.6bn by 2025; and large rises are also expected in the populations of Indonesia, Bangladesh, Pakistan, Brazil, Mexico and Iran. From all of these places, a gigantic internal migration will take place as peasants seeking jobs stream into shanty-cities of 20-25m inhabitants with totally inadequate infrastructure and utilities. Finally, these will be demographically adolescent societies, with perhaps half of their populations under the age of 20 (or even, as in Kenya's case, under 16) – an ideal prescription for social turbulence.

But why should a Piedmont farmer or a Tokyo housewife, beset already by problems of their own, concern themselves with the plight of Bangladesh? Hasn't our planet always contained a rich minority and a poor majority? Will we not have enough of a challenge to prepare our own societies for the technology-driven changes of the next century without being distracted by the fate of badly-run developing countries? What, in any case, have the poverty-stricken peoples of Africa in common with well-heeled bankers and brokers engaged in creating a "borderless world" in the north?

Apart from humanitarian grounds, there are three powerful reasons why we should take seriously these disturbing demographic trends and seek to lessen their impact. The first is the possibility that the collective economic activities of 5bn-8bn people may indeed be creating a "greenhouse effect" of global warming as ever more trace gases pour into our atmosphere. It is no longer an issue of local environmental damage, serious though it is to witness the gross pollution of the Mediterranean and the disappearance of the Aral sea; the destruction of plant species and wildlife habitats in Brazil; and the steady denuding of India (where the forest cover has shrunk from one-half to one-seventh in this century alone). The eco-system itself could be at stake.

While the developed countries probably possess the capital and scientific resources to become environmentally "clean" by early next century, the atmosphere effects of such virtue are likely to be eclipsed by the continued increase in pollutants from China, India, Mexico, and other fast-industrialising countries now unable to afford sophisticated emission controls. If we are concerned about the varied consequences of global warming, rises in sea levels, increased heat stress and greater weather instabilities, we need to devise technologies to assist poorer nations to reduce emissions in the first place.

Equally serious could be the prospect of further surges in large-scale illegal migration from stress-ridden, over-populated societies to richer, demographically-stagnant regions in the north. Already, millions and millions are being held in camps or are en route from central America, Africa, south Asia and the Middle East to the US, Germany, Australia and other favoured destinations – this movement being stimulated (ironically) by a communications revolution which displays, globally, television programmes like *Dallas* and *Brideshead Revisited*.

Already, the Spanish and Italian navies are on daily patrol to check the flow of illegal immigrants; but as Africa's population threatens to treble while Europe's stagnates, ought we not to expect much more of this in the future? And how far will the robotics revolution coming out of Japan – where automated factories are assembling products more efficiently and cheaply than plants employing low-cost labour in

■ Continued Page VIII

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The Long View / **Barry Riley**

Equities beat the gun

THERE HAVE been some good days but, overall, the UK stock market has found the going quite tough in the first quarter of 1993. You will have come off worst in the leaders because by yesterday the FT-SE (Footsie) index of the hundred biggest stocks had slipped back to just about where it was at the end of December.

Yet, the economic background generally has been favourable. Short-term interest rates have come down a point while retail sales are showing an uptrend and the Confederation of British Industry is confident of a rise in manufacturing output. Company profits are set to jump healthily in 1993 because the misery in the labour market is, to a large extent, the mirror image of rejuvenation in the corporate sector.

As it happens, with the focus switching from growth to recovery, Footsie has been restrained by the setbacks of over-priced stars of the recession such as Glaxo and Sainsbury. The stock market picture is the more pleasing, the further down the size spectrum you look. The market as a whole is up 3 per cent, as measured by the All-Share index. Within that, the mid-range stocks have climbed by 9 per cent and the minnows, according to the Small-Cap index, are up by about 14 per cent.

Increasingly, the big stocks are driven by global capital market trends. A key international influence is the US Treasury long bond yield, which hit a long-term low point on precisely the same day – March 8 – as the prices of the Footsie 100 stocks hit their all-time high. Britain's own long gilt yield has bounced up from 8.23 per cent on March 10 to nearer 8.5 per cent now, which is a good measure of the recent shift in sentiment. It has the effect of raising the yield ratio between gilts and equities, a measure which professional investors watch closely. From a tolerable 2.0 ahead of the Budget, the ratio has jumped to a less comfortable 2.2 if you allow for the damaging effect of the advance corporation tax (ACT) changes on dividends.

Fortunately, the prospects for dividend growth are looking a little brighter but, like Wall Street, where the stock market has risen about 4 per cent in the quarter, London has been salivating eagerly over the economic upturn for a long time. The All-Share index has climbed almost 20 per cent over the past year; yet, during that 12 months, the average increase in dividends has been just about zero and reported earnings per share growth around 5 per cent (almost all of it in financials).

It is interesting to recall that, late in 1991, many brokers were predicting earnings growth of 15-20 per cent for 1992. This time, projections of 20 per cent growth in 1993 look much better-founded. But a lot of it is in the price. The market could continue to move sideways, or perhaps gently downwards, if the volume of new issues becomes uncomfortable.

The Bank of England, after all, is planning monthly auctions of gilt-edged – of between £2bn and £4bn – and, in the wake of the Budget's £50bn borrowing forecast, it will kick off the 1993-94 season next Wednesday with a £3bn offer of 20-year bonds. As for company share issues, we have already seen about £2.5bn worth so far in 1993. ICI has promised a £1.3bn blockbuster for June, while the first instalment of the sale of the government's remaining stake in British Telecom could absorb £2bn, perhaps in July.

Meanwhile, British institutions are pulling in less than £40bn a year for investment. The sums may add up only if fund managers repatriate some of the £100bn-plus they have placed in foreign equities and bonds, and if overseas investors come back into gilts on a substantial scale. For these cross-border flows to happen, UK securities must come to look relatively cheap.

Even when the stock market is trading sideways, however, it need not be dull. Look at how the performance of individual sectors has changed this year, with food retailing collapsing from near the top of the league table in 1992 to the relegation zone this quarter, but property doing the reverse. Generally speaking, the manufacturing sectors have done well while the cosy domestic monopolies and oligopolies in brewing, retailing and household utilities have lagged behind. This is a healthy sign when the balance of payments needs to be turned around, a feat achieved best by a prosperous manufacturing sector.

While profits in general have fallen only slightly over the past two years, they have collapsed by some 60 per cent in the capital goods sectors, according to broker UBS Phillips & Drew. In 1993, they could more than double although, in many cases, that would only represent the elimination of losses.

From a slimmed-down base, the potential for profits recovery can be potent. This year, labour costs will not be a worry – per unit of manufacturing output, they are *down* slightly. The only small concern is that, so far, manufacturers have not been able to pass on their devaluation-boosted input costs (up 6.9 per cent year-on-year in February). Overseas profits are looking healthy in sterling terms, although the weakness of demand in continental Europe is a threat; and sterling has been looking significantly stronger in the recent past, having recovered 10 pfennigs against the DM in four weeks, for example.

Given a couple of years of good profits growth, the average price-earnings ratio on UK equities could be down from its present rather intimidating 20 or so to about 14 on the basis of 1994 earnings. For the leaders this is a supportable, but scarcely bomb-proof, rating. Hence the scramble for better value in the smaller companies sector, where the surge of investment funds into narrow markets is creating its own immediate payoff and where (let us hope, if fingers are not to be burned) those companies which survived through the recession will now earn substantial rewards.

MARKETS

London Markets

Learn to live with recovery

By Peter Martin, Financial Editor

THE STOCK market is coming to terms with Life After Recession. The immediate consequences of an end to the economic downturn – the likely survival of previously threatened companies, the coming upturn in the earnings of cyclical industries, a healthier performance by smaller businesses – have already been reflected in share prices, leading to markedly different performances by different types of company, as the chart shows.

That was the easy part, reinforced this week by the CBI's report that manufacturing industry's order books have recovered to their best levels since mid-1990.

Puzzling out what happens next requires more thought, and also offers more scope for differences of opinion. The bumpy ride of stock prices over the past couple of weeks, with quite large intra-day movements of prices on relatively low volumes, indicates the degree of uncertainty. This week, for example, the FT-SE 100 index closed down 47.2 points at 2852.9.

Of the factors at work, two are worth examining in more detail, since together they exercise considerable influence over the outlook.

The first of these factors is the poor state of government finances. The market has seen this coming ever since the pre-election autumn statement in 1991, when the government's expenditure was clearly set on a higher course than its likely revenues warranted.

Still, knowing about the chickens is one thing; watching them arriving home to roost is quite another. The Budget offered the first clucks from the hen-house, in the form of rises in the tax burden on oil companies and corporate pension funds.

As a sector, oil company shares dropped sharply, relative to the market as a whole, in the days immediately after the Budget. They have since recovered their lost ground and closed on Friday a fraction higher than the level before the Budget.

This performance owes something to the fact that BP, the sector's second-biggest stock, is likely to be a big gainer from the new Petroleum Revenue Tax regime. It probably owes rather more to the belief that the PRT measures may be susceptible to last-minute lobbying, to lessen their impact on the worst-affected companies.

But one man's lessened burden is another's broken back: if oil companies are not to pay a higher tax rate, someone else will have to, assuming unchanged government spending. Oil shares have recovered but others have slid away as the market has come to terms with the thought that closing the deficit will eat away at consumers' disposable income in the years ahead.

The most obvious potential casualties of any tightening of consumers' grip on their wallets are retailing shares. These have in any case done poorly in the first quarter of the year, against the trend that has seen cyclical stocks do much better than the average. Since the Budget, stores have dropped just over 2 per cent; other consumer sectors have also done poorly. The spectre of a steadily rising tax burden for consumers is likely to haunt these shares for some time to come.

The second factor that investors have had to weigh up, the likely growth rate for corporate dividends, has been given fresh topicality by the Budget tax changes. All this week, companies have been rushing to save money for those shareholders who stand to lose from the change to dividend tax credits, pension funds and individuals who pay income tax at the 40 per cent rate.

PowerGen and Boots brought forward the announcement of their end of year dividends by two months to beat the April 5 introduction of the changes. Reed, Reuters Holdings, Capital Radio and Laird announced "second interim dividends" – in effect, final dividends declared early. Others will follow over the next ten days.

This excitement is a once-off event; a more lingering question will be the extent to which companies choose to increase their dividends to offset the impact on those shareholders affected by the tax change. So far, Unilever and SmithKline Beecham have been the only blue-chips to promise such an increase.

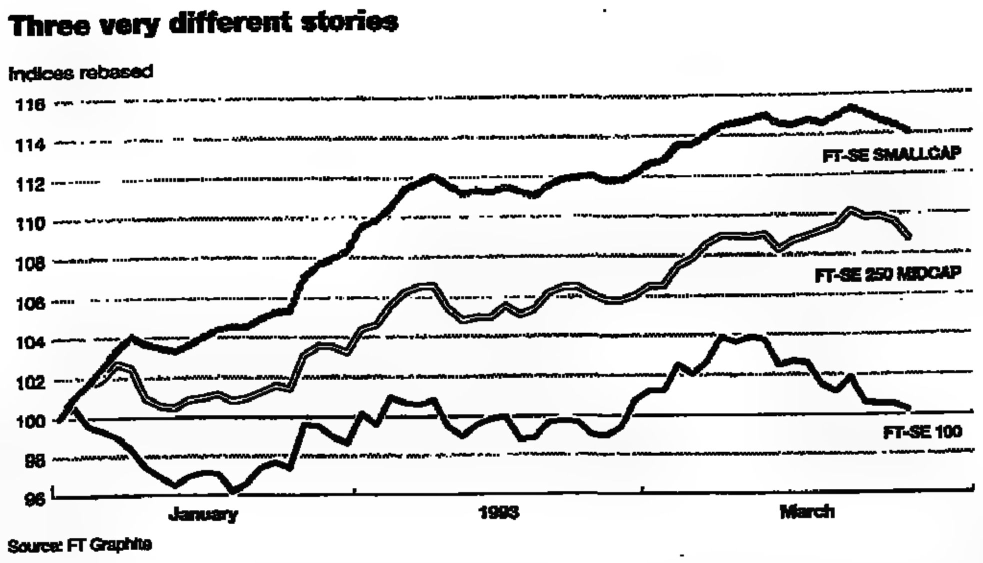
In both cases, dividend policy is governed by the need for equal treatment of shareholders on both sides of these dual-nationality operations; they cannot therefore be counted as setting a precedent.

The announcement this week by BAT and RTZ of tax-efficient scrip dividends, examined in more detail elsewhere on this page, is another example of the thought that is going into the issue of payments to shareholders. The market will be looking closely for signs of how companies intend to cope with the competing pressures on their dividend policies: whether to resume the growth in payouts once earnings recover, in part to compensate shareholders for the tax changes, or to strengthen balance sheets.

This is where the two factors start to come together, because the balance between gilts and equities, on some calculations, is already a fine one: UBS Phillips & Drew estimates that the dividend tax changes have removed almost all the likely extra return that equities offered over conventional gilts.

Equities have not been helped, in this calculus, by the upward drift in gilt yields: the yield on the ten-year benchmark issue rose from 7.61 per cent to 7.76 per cent over the week. The market has been dropping back since the Bank of England's announcement on Tuesday of the details of next week's gilt auction, to take place on March 31. Dealers, expecting a £2½bn auction, were taken by surprise at the promise of £3bn of a new 20-year benchmark issue, 8 per cent Treasury stock due 2013.

This is a vivid illustration of the way that the government, like the corporate sector, must cope with the effects of binge-borrowing. Companies (and consumers) ran up their debt in the late 1980s; the public sector is doing so now. With companies' scope to raise dividends more restricted than investors would like, the government's present surge of borrowing will keep investors guessing about the relative attractions of the securities each side has to offer.



Source: FT Graphite

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2852.9	-47.2	2957.3	2281.0	Corporate statements
FT-SE Mid 250 Index	3099.0	-55.7	3154.7	2157.8	Profit-taking
AMEC	80	-6	162	53	Big provisions/div cut
Astec (BSR)	53	+8½	53½	12	Return to profits
BSG Int	67½xr	-6½	79½	50½	Rights issue
BT	430	+7	444½	305	NatWest/Carr Kitcat "buy" notes
Bass	545	-40	656	472	Brokers downgrade
Boots	486	-41	571	398	DIY price war worries
Clyde Petroleum	46xr	-7	79	19¼	£34m rights issue
Domino Printing	548	-50	820	375	Profits warning
Lasmo	166	-17	263	112	Slashes dividend
Redland	453	-24	565	300	Rising tax charge
VSEL Consortium	645	+65	648	265	Positive brokers' visit
Wellcome	794	-94	1174	777	Fears of earnings slowdown
Wimpey (George)	141	-14	189	65	Grove Charity sells 29% stake

Serious Money

Equities: approach with caution . . .

By Philip Coggan, Personal Finance Editor

WHATEVER else you might say about the UK equity market, it cannot be described as looking particularly cheap. The price-earnings ratio is over 20 and the dividend yield is 4.19 per cent. If you allow for the Budget tax change, the yield is under 4 per cent.

So, should the small investor be buying UK shares now? M&G figures, which I quoted two weeks ago, show that when the market yields below 4 per cent, it is normally a bad time to buy shares. But M&G's Richard Hughes argues that there is a large comfort factor in the rate of inflation – now 1.8 per cent. It is rare for the stock market to yield more than inflation and, when it does, it is usually a sign that shares are good value.

Nevertheless, in my view, it is not the ideal time to be placing a large lump sum in the UK market. Nor do the US and Japanese markets look massively attractive on present ratings. Europe should benefit from falling interest rates but could well be headed for deep recession. That is a more convincing case for European bonds, than it is for equities.

There are, however, some very good arguments for the so-called emerging markets. Higher rates of economic growth and more liberal regulatory regimes offer the prospect that areas such as south-east Asia or Latin America might provide exceptional long-term returns.

Although Fund Research has produced one of its excellent studies of single-country emerging market funds this week, the best vehicle for the private investor is a broadly-spread fund. Diversification protects investors from the enormous volatility of individual emerging markets.

This week, Templeton Emerging Markets launched a savings scheme with a minimum of £30 a month or £250 for a lump sum. Although the trust has more than doubled investors' money over the past three years, new investors should not expect such a heady rate of growth; despite its spread, it is very much a long term investment.

While on the subject of equities, I want to return to the vexed issue of Pep charges. The Budget change reduced the dividend income on a Pep by restricting the tax credit from 25 to 20 per cent. Many people have said complacently that the change is only marginal and does not matter.

Of course, the change is marginal. But the benefits of a Pep to a basic-rate taxpayer are marginal; on many plans, the tax change can tip the balance.

Take TR City of London, a trust with an excellent record which many private investors might wish to select. It makes an additional annual charge of 1 per cent plus VAT (1.175 per cent in total) on Peps.

Let us assume that a basic-rate taxpayer wants to invest £3,000 in TR City. Until April 5, with the trust yielding 4.8 per cent, he can look forward to a tax saving of £36 a year. This is marginally more than the annual charge which, on £3,000, works out at £35.25.

After April 5, though, the advance corporation tax (ACT) change will reduce this yield to 4.5 per cent. The investor's tax saving will fall to £27, £8.25 less than it costs to hold the Pep. He will be losing money; and even if the dividends grow, so will the annual charge.

Now, the Pep investor also benefits from the capital gains tax exemption. But very few people actually pay CGT in the UK - fewer than 100,000 this year. If the investor's holding grew at 10 per cent, and inflation was 5 per cent, it would take 15 years before the indexed gain exceeded the present £5,800 CGT threshold. Even then, the problem could be easily avoided by selling the holding in two tax years.

So, it might well be that, if you are a small investor and a basic rate-payer, you are better off in the TR City savings scheme than in the Pep. TR City is trying to remedy that problem by lowering to 0.5 per cent the charge on those Peps worth more than £6,000 (the reduction applies only to that element of the plan above that level). But since it would take eight years for a £3,000 investment to grow to £6,000 (assuming a 10 per cent growth rate), this is of limited benefit to our hypothetical small investor.

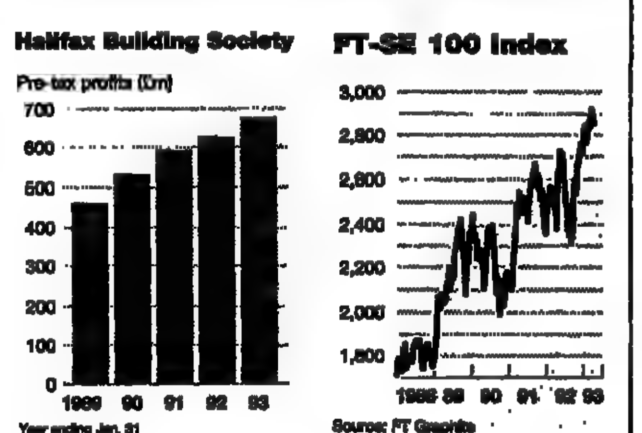
Thus, I repeat my advice to basic rate-payers: analyse the charges of a Pep very carefully. There might even be a case for saying that, for small sums, an investment trust savings scheme, with low charges, is better than a conventional unit trust Pep.

I analysed two hypothetical trusts with identical portfolio yields of 4.4 per cent. After management charges of 0.4 per cent and 1 per cent respectively, and allowing for the ACT change, the yield to the basic rate-payer is 3 per cent on the investment trust and 3.1875 per cent on the unit trust Pep.

But that marginal advantage in yield must be set against initial costs; probably 6 per cent for the unit trust against 1.5 per cent on the investment trust savings scheme. Growing a sum of £1,200 (to reflect someone saving £100 a month) by 5 per cent a year, the investment trust savings scheme is still ahead after 10 years.

Higher rate-payers should still find Peps attractive after the change but it is difficult to see how it can be claimed that the advantages of Peps have been enhanced for higher-rate taxpayers. Top rate-payers saved 40 per cent in tax in a Pep before the Budget; they save 40 per cent after it. Their income inside and outside a Pep has dropped 6.25 per cent. That is not an enhancement.

AT A GLANCE



Year ending Jan. 31

Source: FT Graphite

Halifax increases profits and bad debt provisions

HALIFAX Building Society this week announced an 8 per cent rise in annual pre-tax profits, from £628m to £680m. This was in spite of a 63 per cent increase to £374m in provisions against bad and doubtful debts; most of which related to residential mortgages. There were 22,486 mortgages in arrears at January 31 compared to 18,061 a year earlier, and total arrears were £266.7m. Provisions have grown steadily in the past five years from £8.8m in 1989.

Total assets rose 7 per cent to £62.8bn. Jon Foulds, chairman, said the society had performed well in "the worst year in the housing market since the war."

Guaranteeing rises in the Footsie

Save & Prosper has launched a third issue of its Guaranteed Equity Bond, which offers the bulk of the rise of the FT-SE 100 index over five years, or return of the original capital. Investors can choose between 98 per cent of the rise of the index, or 90 per cent of the rise, with lock-in facilities when the market rises 20 and 40 per cent. As with most products, the investor does not benefit from the yield on the market.

Northern Rock's guaranteed product is open until April 8. This offers the rise in the FT-SE over five years, or 15 per cent gross (11.25 per cent net). If the market rises 50 per cent, that increase is locked in. However, after tax, the basic rate taxpayer will only receive 75 per cent of the index's rise, and will not benefit from the dividend yield.

BT shares on shopping list

The government will use its third sale of shares in British Telecom, known as BT III, to promote its share shop idea. Around 100 intermediaries met with the Treasury this week to discuss the concept; they will be entitled to display a new share shop logo and investors who apply through share shops will receive preference in allocation. The earliest date for BT III would be mid-July.

Scottish payments due

The deadline is fast approaching for investors to pay the third and final instalment on shares in Scottish Power and Scottish Hydro-electric. The payment of 70p per share must arrive no later than April 1. Payment notices sent to shareholders show the exact amount to be paid and the address of the bank to which payment should be sent.

National Insurance cards retire

National Insurance cards and stamps are being abolished after 81 years. In future, contributors will pay by direct debit or by a quarterly billing system, with payments made via the Post Office or banks. The change mainly affects the self-employed.

Smaller companies index slides

Small company shares fell back in the wake of the Budget. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.5 per cent from 1383.21 to 1376.54 over the week to March 25. The Nat West Smaller Companies index also dropped 0.5 per cent from 1092.54 to 1087.19.

Wall Street

Investors find silver cloud's dark lining

LOW INTEREST rates and a recovering economy are what every stock market likes best. Wall Street has both at present, in fairly ample measure.

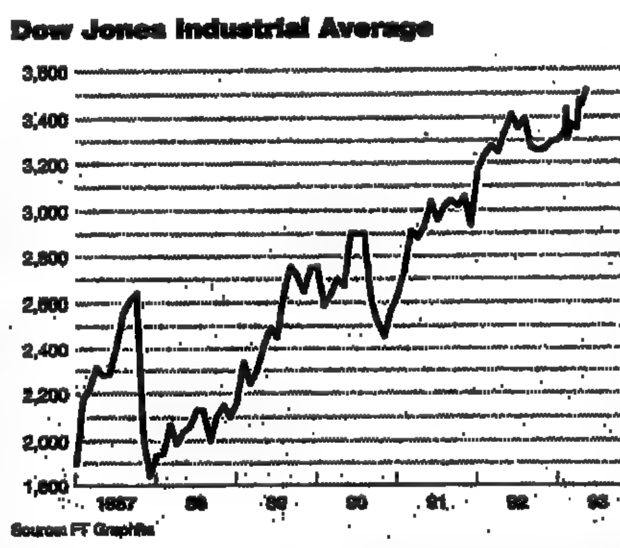
But even the sunniest situation will have its share of shadows, and this week the political upheavals in Russia cast a prolonged cloud across US stock markets. For the first three days of the week, share prices generally moved lower, causing the Dow Jones Industrial Average to fall to around the 3,445-mark on Wednesday night. That was some 26 points below the previous Friday's close.

There was a certain amount of logic behind the concerns. If President Boris Yeltsin was replaced by hardliners, ran the reasoning, cutbacks in US military expenditure would probably be postponed and the Clinton Administration's economic package would be jeopardy. But the reasoning ran a little thin in places, and the overall impression was of a market reacting more to the threat of uncertainty, than to specific, delineated dangers.

It is also worth noting that the market was standing at near-record levels going into the week. The Dow Jones Industrial Average reached its all-time closing high on March 10, when it peaked at 3,478.34, and when the week's trading began on Monday morning, it was still standing at 3,471.58. In a market that has enjoyed a good rally, the scope for little nervousness is that much greater.

Still, by the end of the week, Boris Yeltsin was still walking his tightrope, and Wall Street responded at first enthusiastically and then with a little more care. As moves to impeach Yeltsin looked increasingly unlikely on Thursday, the Dow Jones Industrial Average rose 15.94 points, recouping much the losses seen earlier in the week, while the more broadly-based Standard & Poor's 500-stock index showed a 2.82-point advance to 450.88.

But at the opening on Friday, the advance was a modest five points and traders were warning that a sagging bond market, fearful that interest rates may edge higher, plus continued volatility in the international arena, could curtail the market's upward momentum.



Source: FT Graphite

The main corporate story of the week – the move of Louis Gerstner from the chairmanship of RJR Nabisco, the food and tobacco group, to International Business Machines, the computer behemoth – had muted stock market implications. RJR Nabisco, which is in the throes of a complex "targeted stock scheme" and a $1.5bn capital raising exercise, acted quickly to realign its management structure, filling Gerstner's shoes without introducing new blood. Its shares, clouded by all the difficulties currently surrounding tobacco stocks, remained at the $8 level.

IBM shares showed a little more reaction. They fell early in the week, but this was attributed as much to pricing pressures on the group's mainframe business and the spill-over effect from the profits warning by Amdahl, another US computer systems company. On news that the intensely-watch management issue had been finally resolved, IBM shares gained $⅝ at $51⅝.

The situation in the pharmaceuticals sector was a lot less happy. Shares of many mainline drug makers – already under pressure for months – tumbled again, when Merck announced its first-ever job reduction programme.

Cutbacks in the automotive, defence and aerospace industry have been on a much larger scale than Merck's decision to cut 1,000 jobs. The New Jersey-based drug company blamed the situation on the increasingly competitive environment in the US, and the worldwide effort to contain healthcare costs. It also said that the impact of this deteriorating environment would tell on its first quarter results, and analysts scaled back their expectations.

Merck's shares fell sharply, down $2¼ to a 52-week low of $34¾ on Wednesday, but the damage was more widespread than this. Pfizer lost $2⅝ at $57⅝, Schering-Plough tumbled $3⅛ to $56½, Glaxo slumped $⅝ to a year-low of $17⅝, Bristol-Myers Squibb eased $¼ to $57⅞, and so on.

The drug manufacturers have had more than their fair share of worries but another ailing industry – the US airline sector – saw a rare gleam of light in mid-week. Airline stocks rallied across the board, and helped account for a gain of over 20 points in the Dow Jones transportation average on Tuesday. The reasons were various: the national commission set up to examine the industry's problems was formally approved by the House of Representatives, domestic traffic looks more healthy, and the savage price-wars which devastated the industry's fortunes last year have abated.

Nikki Tait

Monday	3463.48	–	8.1
Tuesday	3461.83	–	1.62
Wednesday	3445.38	–	16.48
Thursday	3461.32	+	15.94

The Bottom Line

Wellcome shares catch a cold

THURSDAY was a bad day for John Robb, Wellcome's chief executive. Admittedly, it started well enough as he revealed pre-tax profits for the first six months up 33 per cent – a figure at the top of expectations.

Yet the impressive earnings rise was followed by a collapse in his company's shares which fell 72p to 818p. Yesterday, they tumbled a further 25p.

Robb confessed he was mystified by the fall. "I think the figures are pretty damned good given the environment has changed considerably over the last 12 months," he complained.

The problem with the results was their composition. Wellcome was touted during its share sale last year as one of the world's fastest growing drugs companies. Analysts were predicting annual growth of 20 per cent.

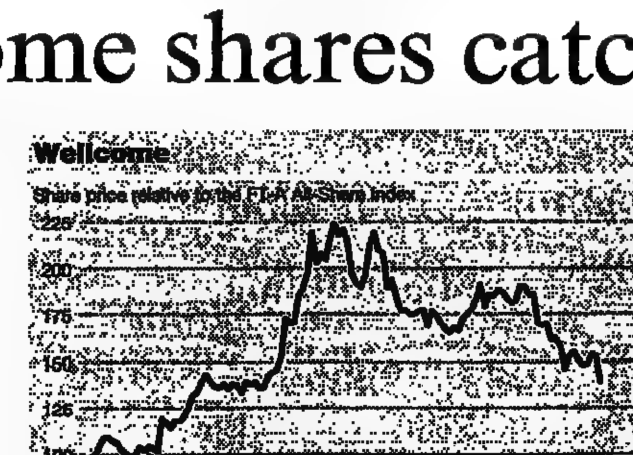
Yet the underlying sales growth in the figures revealed this week was 11 per cent. The rest of the group's 22 per cent sales increase was generated by currency benefits. Analysts were also concerned that the group's margin improvement programme – pushing margins up 3.8 percentage points to 30.5 per cent – had run its course.

Robb blamed the slowing growth rate on both the changing healthcare environment and problems in the over-the-counter non-prescription drugs market.

Clearly, Wellcome has not proved immune to the slowdown in the world pharmaceuticals market caused by more aggressive government price controls. The annual growth of the global market could slow from 16 per cent during the 1980s to as low as 7 per cent during the 1990s, according to Duncan Moore, drugs analyst at Morgan Stanley in London.

Wellcome's underlying growth for prescription medicines fell from 18 per cent for the first half last year to 13 per cent for the same period this year.

The group's OTC business –



Source: FT Graphite

13 per cent of sales – suffered from a poor cough and cold season and increased competition in the US. Underlying OTC sales fell 7 per cent in the first six months.

However, some analysts believe the market's reaction overdone. Wellcome's underlying prescription volume growth may be slowing, but it is not decelerating as much as most other drugs groups, particularly in the US.

In the past, the difference in the performance of US drugs stocks was minimal. Those without products to drive volume growth compensated by raising prices.

However price rises in the US are now a thing of the past and prices in Europe are tumbling. The industry is splitting into those with volume growth and those without.

Wellcome's volume growth remains strong – far above the industry average. Moreover it is unlikely to face discounting pressure in the US.

Wellcome enjoys the advantage of not being in highly competitive areas such as antibiotics, cholesterol-lowering treatments and ace-inhibitors (heart drugs).

The group generates almost all its prescription business from anti-viral treatments, a therapeutic area which it dominates with 80 per cent of the world market.

Robb has set out a strategy for his troubled OTC operations. He believes the business is too small to gain effective access to the supermarket sector or negotiate reasonable advertising rates. Sales are also too dependent on coughs and colds.

The group has no intention of spending large sums to buy OTC businesses. "Acquiring OTC products is unaffordable, unless you're Swiss," says Robb, a jibe against Roche and Ciba-Geigy which recently bought most of Fisons' OTC businesses.

Instead, Robb is negotiating a joint-venture, in which Wellcome may be a junior partner. The deal, which he hopes to conclude before the end of the year, should give the group access to the US, European and Japanese OTC markets.

Robb and his company's share price, both already bruised, are likely to suffer a further battering in coming weeks. There is little in Wellcome's performance or prospects to justify such treatment, but sentiment is unlikely to improve before May when the Clinton administration reveals its healthcare reforms.

Paul Abrahams

FINANCE AND THE FAMILY

Your last chance of the tax year to make savings

John Authers explains how you can take advantage of the next few days to choose the right investments and tax options

THE TAX clock is ticking. Next week is your last chance to take advantage of several tax allowances for 1992-93.

Tax-planning is a bedrock of long-term financial planning, but it is less important than choosing investments with the right risk profile, and the right flexibility, to suit you. There is no point in losing money, or tying it up when you need it, just for tax-efficiency.

This may not chime with what you hear from sales representatives. A large proportion of the financial services industry describes the end of the tax year as its "harvest season", and the need for urgency provides them with a great selling opportunity. As John Cole, of Berry, Birch & Noble, says: "There's nothing this industry likes more than a deadline."

So two questions need to be asked: would the investment make some kind of sense without the tax advantages, and do the tax savings outweigh any extra charges?

These tax-saving opportunities are still open to you:

■ **Personal Pensions**

These offer the most tax-efficient form of retirement saving, as all contributions paid into a personal pension are grossed up at your top marginal rate. The fund then builds up free of income and capital gains tax.

The snag is that the money has to stay in the pension fund until you retire. Then you can take 25 per cent of it as tax-free cash, but the rest must go towards buying an annuity, which will be taxed as income.

The amount you can contribute in one tax year is expressed as a proportion of your earnings, and varies according to your age at the beginning of the tax year.

The scales are as follows:

■ up to 35: 17.5 per cent
■ 36 to 45: 20 per cent
■ 46 to 50: 25 per cent
■ 51 to 55: 30 per cent
■ 56 to 60: 35 per cent
■ 61 to 74: 40 per cent.

If you did not use your personal pension allowance in the last tax year (1991-92), then you can top it up this year. To qualify for this carryback relief you must pay the contribution by April 5, and then make the election to the Inland Revenue by May 5, according to Cole.

Topping up a personal pension is sensible if you genuinely do not need excess income. As ever, try to choose a company with low charges.

■ **Additional Voluntary Contributions**

If you contribute to a company pension scheme, you are not allowed to have a personal pension on top. However, if your company scheme contributions are less than 15 per cent of your salary, you can make up the difference in Additional Voluntary Contributions (AVCs). Your total contributions must not be more than 15 per cent.

AVCs are virtually identical to personal pensions, but differ in one important respect – all of the fund from an AVC when it matures must be used to buy an annuity, and there is no tax-free cash. The annuity is not tax-efficient, and you may prefer to retain the flexibility.

■ **Personal Equity Plans**

Peps, which allow investments in shares, investment trusts and unit trusts, are increasingly considered as an alternative to AVCs. You pay net income into them, so there is no tax relief on entry, but then the funds, like pension funds, can grow free of income and capital gains tax. Those wanting income can draw gross dividends. Then the big advantage over pensions and AVCs is that the plans can be exited at any time, tax-free.

If that sounds rosy, however, remember that Peps are only as strong as the equity investments they hold, and it may not be wise for those with small portfolios to enter the stock market at present. Peter Smith, of Hill Martin, says: "I find it amusing that the stock market, as usual, is high just as the Pep deadline is approaching."

He does not bother with Peps for basic-rate taxpayers, as the extra charges needed to administer the plans can out-balance the tax advantages. For those who do not pay CGT (see below) gross dividends are the only advantage, and this has been reduced by the budget's changes to Advance Corporation Tax. Top-rate taxpayers wanting to invest in equities are still best advised to do so through a Pep, but basic rate payers should be very careful.

Investments in Peps should normally be made on March 29, as most Peps offer a cooling-off period. By using an execution-only broker, however, some providers, such as Mercury, will allow you to invest until Monday, April 5.

■ **Married Couples Allowance**

Thanks to a provision of the 1992 budget, married couples have until April 5 to elect to have the married couples' tax allowance of £1720 transferred from the husband, to whom it is paid automatically, to the wife. They must do this using Inland Revenue Form 18. There is little point in doing this if both pay the same rate of tax, or if the husband pays top-rate tax. However, if the wife pays top-rate tax, the relief will be more valuable with her – a saving of £258 according to accountants Westbury Schotness. For non-taxpayers, it can increase their tax-free income.

■ **Mortgage Interest Relief**

Lower mortgage rates could carry with them a nasty tax sting in the tail, according to accountants Touche Ross. Those who want to avoid it will need to act now to have their tax codes changed.

Falling interest rates mean a reduction in the amount of relief due on them. Most people get their relief via MIRAS, which adjusts automatically to changing interest rates, but those with unusual types of mortgages, such as those which allow the borrower to vary repayments, receive the relief through their PAYE code. This will reflect the interest paid in 1991-92, and so too much relief will have been given. The Inland Revenue could then send a bill for payment, in a lump sum. According to Maurice Parry-Wingfield of Touche Ross, some "will be caught unawares by the unexpected bill, which may come to £375, or thereabouts".

■ **Inheritance Tax Planning**

Some gifts made while you are alive can be exempt from inheritance tax irrespective of when the donor finally dies.

First, there is an allowance of £3,000 per year which can be given away tax-free. All of this can go to one person, or it can be shared among several. The relief can be carried forward one year, so if you did not use this allowance in 1991-92 you can give a maximum of £6,000.

In addition to this, you can make limitless small gifts of up to £250, without affecting the main £3,000 exemption.

■ **Gift Aid**

Philanthropists who have to pay top-rate tax for this tax year might make a donation via Gift Aid. Provided you give at least £250 to a charity this will be treated as net of basic rate tax. That allows the charity to reclaim 25 per cent from the Revenue, so they will receive £333. Top-rate taxpayers can reclaim the difference between the top and basic rate, which will be 15 per cent of the amount received by the charity (£50). So the charity would have received £333 for a total outlay of £200.

■ **Capital Gains Tax**

This most labyrinthine of taxes allows you to realise a maximum capital gain in any tax year of £5,800, without paying any tax. On gains greater than this, you must pay tax at your highest marginal rate of income tax. A top-rate income taxpayer will pay 40 per cent CGT.

This gain is calculated once indexation, to reflect the rise in the retail prices index, has been taken into account. If you have realised a gain which has done no more than keep pace with inflation, then for CGT purposes you have made no gain at all. It is possible to make a loss in CGT terms, even though you have made a profit, if your investment failed to keep up with inflation.

The accompanying table, updated monthly by the Inland Revenue, helps you calculate your indexation allowance. Multiplying the original investment by the indexation figure for the month in question shows the amount you can gain free of tax liability. For example, if you invested £10,000 in March 1982, CGT liability is calculated on the indexed cost of £17,470. Only if you sell it for more than £23,270 (the indexation allowance plus the £5,800 annual allowance) will any CGT be payable.

"Bed and breakfasting" – selling the shares one afternoon and buying them back the following morning – can limit the bill further by establishing gains or losses for the tax year.

You can also realise gains this year to reduce the potential liability in future years, but this requires quite ambitious projections about the future.

■ **Business Expansion Schemes**

The BES is as tax-efficient as they come – the problem is whether the underlying investment stacks up. Investors in BES companies, most of which own housing and rent it under assured tenancy legislation, receive income tax relief at their top marginal rate. This means that those investing £1,000 will receive tax relief of £400. Maximum total BES investment for one tax year is £40,000, and shares must have been issued by the end of the year to qualify.

The drawbacks are that you must hold on to the shares for five years to avoid forfeiting the relief, and that the underlying investment, residential property, might not make sense without the tax relief.

Anyone in any doubt as to the danger of deadlines need only look at the BES – tax relief on loans was disallowed in the Budget, catching several BES sponsors unawares, while schemes put together in a hurry last year ahead of the general election may also forfeit their tax relief.

But the advantages for top-rate tax-payers are strong. Schemes with cash-backing from third-party banks can covenant to convert an effective investment of 60p into 115p after only five years, so top-rate taxpayers who are prudent could benefit greatly.

CGT INDEXATION ALLOWANCES: FEBRUARY 1993

Month	1982	1983	1984	1985	1986	1987
January	-	1.680	1.598	1.522	1.442	1.388
February	-	1.673	1.592	1.510	1.437	1.382
March	1.747	1.670	1.587	1.495	1.435	1.380
April	1.713	1.647	1.566	1.464	1.421	1.365
May	1.701	1.640	1.560	1.458	1.419	1.362
June	1.695	1.636	1.556	1.456	1.419	1.362
July	1.695	1.627	1.558	1.457	1.423	1.363
August	1.695	1.620	1.543	1.454	1.419	1.359
September	1.696	1.613	1.540	1.454	1.412	1.355
October	1.687	1.607	1.531	1.452	1.410	1.349
November	1.679	1.602	1.526	1.447	1.396	1.342
December	1.682	1.597	1.527	1.445	1.393	1.344

Month	1988	1989	1990	1991	1992	1993
January	1.344	1.250	1.162	1.066	1.024	1.007
February	1.338	1.242	1.155	1.060	1.018	
March	1.333	1.236	1.143	1.056	1.015	
April	1.312	1.214	1.110	1.043	1.000	
May	1.307	1.207	1.100	1.040	1.000	
June	1.302	1.203	1.096	1.035	1.000	
July	1.301	1.202	1.095	1.037	1.000	
August	1.296	1.199	1.084	1.035	1.000	
September	1.290	1.190	1.073	1.031	1.000	
October	1.288	1.181	1.065	1.027	1.000	
November	1.262	1.171	1.068	1.024	1.000	
December	1.258	1.166	1.069	1.023	1.000	

Source: Inland Revenue

FINANCE AND THE FAMILY

BAT's scrip deal looks a winner

*Small shareholders will benefit, says **Andrew Bolger***

BAT INDUSTRIES announced this week that it wants to offer a scrip dividend worth 50 per cent more than *the 22.6p final cash dividend* which the tobacco and financial services group had already announced on March 10.

RTZ Corporation, the mining group, also plans to offer a scrip dividend 50 per cent higher than its recently announced cash dividend of 13.5p. Other companies are considering enhancing their scrip, but only a few are likely to find this an appropriate way of rewarding shareholders.

BAT has taken this course partly because its large overseas earnings give it a problem with unrelieved advance corporation tax. ACT is not payable on scrip issues, and this scheme – depending on the level of take-up – could save the company £100m in ACT *and £330m in dividends.*

BAT shareholders who still want cash can sell their scrip, worth 33.9p a share, for 32.2p. Barclays de Zoete Wedd Securities, BAT's joint broker, will not charge dealing costs: the 5 per cent discount is to cover BZW's market risk in underwriting the deal.

Although institutions such as pension funds traditionally are wary of scrip issues, the best advice for small shareholders is clear: vote for and then take the enhanced scrip, assuming the scheme is approved by the necessary 75 per cent majority at BAT's annual general meeting in May. Those wanting cash should also take advantage of BZW's dealing offer.

The accompanying graph shows that all small shareholders will benefit from taking the scrip. The biggest gainers will be basic-rate taxpayers who have not used their annual capital gains tax allowance, while the smallest will be higher-rate taxpayers who pay CGT. The bottom of each column shows the value of the cash dividend; *the top shows* the value of the scrip for those who pay just tax and those who pay both tax and CGT.

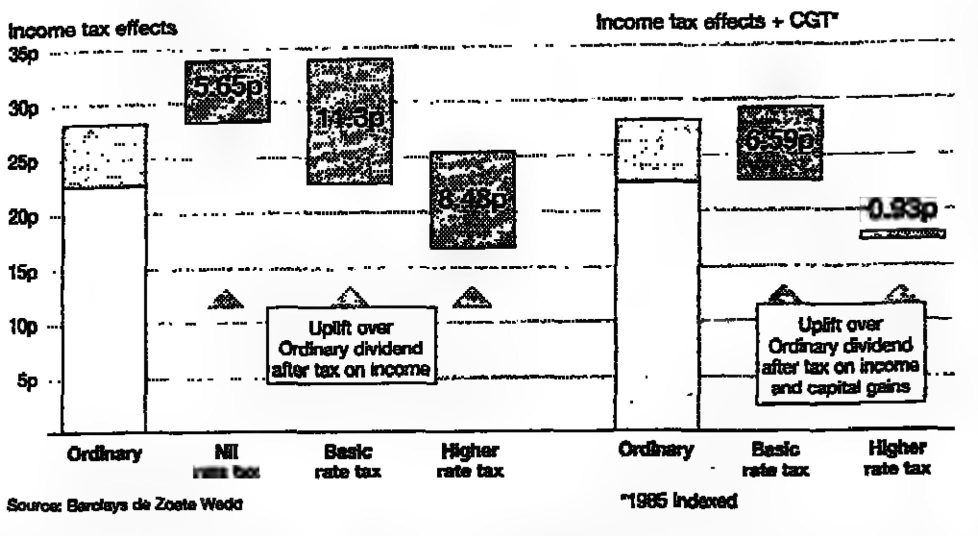
Gross funds – institutions such as pension funds which pay no tax – dislike scrip dividends because they are unable to reclaim an ACT credit on them. Normally, however, scrip issues are set at the same *level as the cash dividend.*

BAT believes it can afford to tempt institutions by enhancing the scrip because its lucrative tobacco business is hungry for cash, and the group is confident it can get a sufficiently high return on the cash saved. Scrip issues normally are dilutive, by expanding the share base, but BAT estimates this *scheme will end up enhancing* both net asset value and earnings per share.

The group is confident it will achieve the necessary majority from its institutional investors, partly because it promised it will not repeat the exercise.

BZW worked for 18 months on this scheme and said it had nothing to do with last week's Budget changes in ACT. Indeed, by promising to address the problem of unrelieved ACT next year, the chancellor limited the period in which this novel manoeuvre can be promoted.

BAT Industries enhanced scrip



Source: Barclays de Zoete Wedd

*1985 indexed

Pensions that damage your wealth

__Debbie Harrison__ explains why a top firm of actuaries is recommending a five-year ban on with-profits policies

INVESTING in with-profits pension plans can damage your financial health, according to a leading firm of actuaries and consultants. Following extensive research, Bacon & Woodrow has issued a report for private investors recommending an embargo on such policies.

The ban, which B&W expects to last at least five years, affects individuals who want to make single premium investments in personal pensions and other individual pension arrangements. The firm's advice might not, therefore, be appropriate for people holding long-term, regular premium *contracts which could incur* significant penalties if the premiums are stopped.

In the report – examined in detail in April's issue of the FT's sister publication, *Pensions Management* – B&W explains how it tracked the impact on underlying with-profits funds of excessive bonus payments from the mid-*1980s to 1992. The report says a* five-year period of drastic bonus cuts will follow so that funds can re-balance. Only when providers have put their houses in order will it be safe to consider the with-profits route again.

B&W warns, however, that even when this rationalisation is complete, the bulk of with-*profits funds will fail to offer* a real alternative to equity-based, managed, unit-linked funds. To support this argument, it cites the fundamental switch in the risk profile of with-profits contracts over the past 10-15 years.

In fact, the two problems – the mis-match of bonus payments to investment returns, *and the switch in risk profile* - are linked directly. The original concept of the with-profits fund – which is invested mainly in equities, property and fixed interest – is to *smooth investment returns by* holding back some of the return during years of plenty in order to maintain a reasonable bonus rate in lean times.

Premiums invested secure a modest but guaranteed maturity payment (the "sum assured"), while profits are distributed through the bonus system. Annual (or "reversionary") bonuses, once allocated, are guaranteed. For many years, the combination of sum assured and accrued annual bonuses formed the greater part of the final pay-out.

An extra bonus was added at maturity. This final (or "terminal") bonus was completely discretionary. The amount reflected the long-term capital appreciation of the fund not passed on previously through annual bonuses. Terminal bonuses are thus closer to the unit-linked concept, with a direct link between the perfor*mance of the underlying fund* and the investor's return. On most policies nowadays, the final bonus can account for more than 50 per cent of the total payout, so narrowing the risk gap between with-profits and unit-linked contracts.

The trend towards higher-risk, with-profits policies gathered pace during the period of *exceptional investment returns* in the 1980s, when market conditions and competitive pressures forced up bonus rates. But insurance company actuaries chose to achieve this via the non-guaranteed, terminal bonus while reducing the guaranteed annual declarations. Final payouts often remained unaffected or even improved.

But *while this structural* change in the with-profits bonus system went virtually unnoticed during the bull markets, the chickens came home to roost when returns dropped *sharply. And this is when the* great cover-up began. Up to 1992, providers continued to declare unrealistically high bonus rates while actual returns fell sharply and, in one year at least, were probably negative.

The B&W report was pro*duced by the firm's partner*ship pensions section. Its head, Andrew Warwick-Thompson, said this week: "The smoothing process has been used to mask the reality over this period, but no smoothing process can continue to do this indefinitely if average returns are much lower than are necessary to maintain bonus rates."

In fact, cuts in the bonus rates are just one aspect of rationalisation. Individuals who leave early – either to transfer to another pension arrangement or take early retirement – receive an extra blow in the form of the "market level adjuster." This gives pension providers a free hand to reduce the value of funds *when the contract is terminated early.* Moreover, many providers have closed their traditional with-profits funds to new clients and offer a unitised version instead. But unitised with-profits funds do not offer a basic sum assured with a guaranteed minimum return to maturity. Instead, they offer a guaranteed return which can *be varied from year to year, so* watering down the long-term security of the contract.

Following its analysis of these developments, B&W recommends to private clients *investing in individual pension* arrangements that:

- No further single-premium contributions should be invested in with-profits funds for the moment. Contributions should be made to competitive, unit-linked managed funds (or in cash and fixed interest for *those near retirement).*
- Regular payments to with-profits funds should be maintained pending a review of the terms offered by the provider if contributions are stopped.
- People within five years of retirement should discuss with their financial adviser the possibility of crystallising existing bonuses by a transfer, or by *taking the benefits early. (This* will make sense only where the provider offers a good transfer value and does not impose early termination penalties.)
- *Existing with-profits holdings should be reviewed in the* light of likely cutbacks in bonus rates and the lower guarantees now offered by most contracts. Expert advice should be sought.

But if with-profits personal pensions are excluded, where should you be investing your money? B&W analysed managed unit-linked contracts and assessed pension providers on consistency of performance of their managed funds, good administration, and sound financial strength.

Equally important, B&W recommends only those providers that operate a low charging structure, incorporating nil-commission terms, and where the contract is free of hidden early termination penalties. As Warwick-Thompson explained: "We felt it was vital that our clients should be able to take a transfer at any time or retire *early without penalty.*"

From the firm's preliminary "long list" of 14 providers, only four were awarded top marks on all criteria: Rothschild *Asset Management*, Standard Life, National Mutual and Scottish Widows.

Warwick-Thompson stressed that people who have started a long-term, regular premium, with-profits contract should not act hastily. He added: "In the long term, with-profits funds may still play an important role in the individual pensions market. However, even after the period of severe bonus cuts is over, it is important to understand the fundamental change in the risk profile of these contracts brought *about by the greater depen*dence on terminal bonuses.

"If you need a high degree of security, you should consider a mixture of with-profits, cash and fixed-interest pension funds, particularly in the run-up to retirement. Younger investors looking for good long-term growth are likely to do better with a competitive, *equity-based, managed* unit-linked or unit trust fund."

The Week Ahead

INCHCAPE, the motor and *business services group,* is expected to report substantially increased pre-tax profits, from £185m to about £248m, when its 1992 results are published on Monday.

Interest will focus on how the group has integrated Tozer Kemsley Millbourn, the motors and retailing concern bought for £383m at the end of 1991 *and which is thought to have* enhanced earnings. Analysts will also want to hear how Toyota and Mazda vehicles are faring now the car market is at last showing signs of recovery.

Interims, also on Monday, from restructuring Lucas Industries, one of the largest UK engineering groups, will provide few surprises. The group has already made clear its 1992-93 first half will be little better than the previous year when it made pre-tax profits of £200,000. But it is expecting to earn enough over the full year to pay a maintained covered dividend of 7p, pointing to total pre-tax profits of around £75m.

Pearson, the diversified group which includes the *Financial Times* in its range of interests, is forecast to show a fall in 1992 profits when it announces on Monday. Analysts are looking for around £140m to £146m, compared with £173.8m the year before. However, a maintained dividend is expected. Low activity in the US oil industry will have hit Camco, while recession will have taken its toll at Royal Doulton and the entertainments divisions.

Construction company Taylor Woodrow is expected to reveal pre-tax losses for last year of £65m to £70m when it announces results on Tuesday. Analysts are expecting more than £60m of write downs to *bring the company's land bank* and properties into line with current market levels. After cutting its dividend at the interim stage, the final is also likely to be cut, possibly to 0.5p compared to 7.64p last year.

Analysts following Burmah Castrol believe the lubricants, chemicals and fuels group will on Thursday report annual profits ranging from £82m to £86m, compared with £79m in 1991.

The uncertainty arises because concern over the group's exposure to the faltering German economy, increased by its acquisition of the Foseco metallurgical business, is balanced by prospects *for synthetic oil products* in the US.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS					
Aroon International Resources	O&G	Wednesday	-	-	-
Ash & Lacy	M&MF	Wednesday	2.6	3.9	2.6
[illegible]					
INTERIM DIVIDENDS					
[illegible]					

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. [illegible] Figure quoted in French francs. [illegible] Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Aberdeen Pet.	15½	17½	16	7.98	Pittencrieff
Brabant	56*	58	44	9.72	EDC
Brown Shipley	30*	36	39	5.60	KBL
Buckingham	2¾*	5	4½	3.31	Purlieus
Clifford Foods ‡	573*	578	503	12.81	Unigate
Do. A. ‡	251*	256	219	35.99	Unigate
Drayton Asia	106	109	113	106.53	EFM Dragon
East Worcester	2432	475	475	26.30	Severn Trent
East WorcesterN/V	1920	325	325	2.40	Severn Trent
Gabicci	48	42	41	5.63	Halane
Hawthorn Leslie	1½	1½	2½	2.85	Vodafone
Hoskyns	469*	48	484	433.00	Cap GeminiSogeti
Hunter Saphir ‡	42*	43	36†	10.37	Albert Fisher
Platon Int'l	28	32	20	2.98	Wills
Whewway ‡	9½	9¼	7½	13.28	McLeod Russel

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 26/3/93. §§Shares and cash. ¶Price at suspension.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Acorn Computer	Elec	Dec	1,310	(274)	2.0	(0.4)	-	(-)
AMEC	C&C	Dec	87,500 L	(13,100 L)	-	(-)	3.0	(10.25)
Anglia TV	Med	Dec	14,55	(8,380)♦	-	(-)	9.26	(9.26)♦
Appleyard Group	Mtrs	Dec	1,710	(1,810)	2.3	(2.5)	5.2	(7.8)
[illegible]								

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
[illegible]						
Town Centre Secs	Prop	Dec	3,650	(3,310)	1.1	(1.0)
Trace Computers	Elec	Nov	105	(221)	0.55	(0.55)
Trafford Park Estate	Prop	Dec	1,740	(1,620)	0.85	(0.85)
Wellcome	H&H	Feb	324,600	(204,700)	4.8	(4.0)
Wetherspoon (JD)	B&D	Jan	1,490	(1,020)	1.8	(-)
Wolseley	BdMa	Jan	47,600	(33,700)	3.55	(3.1)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ✲ = Figures quoted in Irish pounds & pence. ¥ = Net revenue. † = Third interim dividend. ‡ = This years figures for 9 months against last years 11 months. ● = After tax profits/loss. ⊙ = This years figures for 15 months. ♥ = This years figures for 16 months. ♠ = Net income. ✲ = Figures quoted in US dollars & cents.

RIGHTS ISSUES

BBA is to raise £125.9m via a 1-for-4 rights issue.
Bemrose Corp is to raise £21.1m via a 1-for-2 rights issue at 255p.
BSG Int'l is to raise £31.4m via a 1-for-4 rights issue at 62p.
Clyde Petroleum is to raise £34.1m via a 1-for-4 rights issue.
Pendragon is to raise £16.6m via a 1-for-4 rights issue at 225p.
Slough Estates is to raise £147.3m via a 3-for-10 rights issue at 150p.
Umeco is to raise up to £1m via a rights issue & subscription.

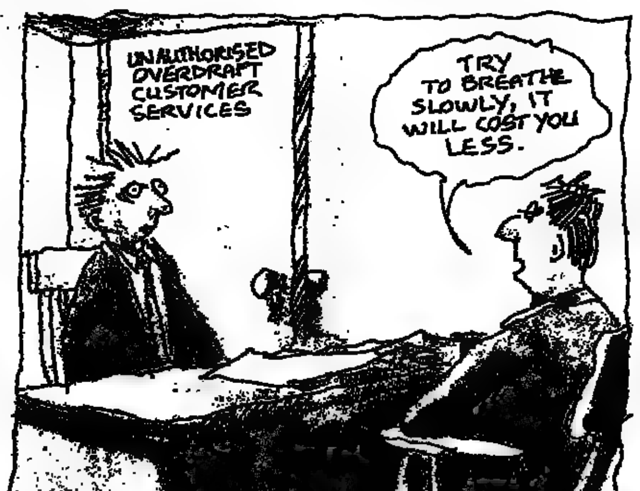
OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Associated Nursing Services is to raise £1.5m via a placing of 800,000 shares at 195p.
Hambros is to raise £35m via its flotation of Hambros Insurance Services.
Quality Software Products is to join the main market via a placing of 2.85m shares at 380p.

FINANCE AND THE FAMILY

Why overdrafts will cost more

Scheherazade Daneshkhu looks at bank charges



OVERDRAFT charges on interest-bearing current bank accounts are being increased; mostly at the expense of those who overdraw without permission. National Westminster, Midland, Barclays, Royal Bank of Scotland and Yorkshire have all either increased or announced a rise in charges recently.

Some are also restructuring charges. To avoid paying more than you should, it is important to know your bank's charging policy.

■ **Free overdraft**
Some banks are still reasonably generous. Lloyds, Royal Bank of Scotland and Bank of Scotland offer their interest-bearing current account-holders a free overdraft facility of £100. Girobank's Keyway (an interest-bearing current account) has a £20 free overdraft, while you can be overdrawn by up to £250 for three days without incurring interest or fees with the Co-Op Bank's Ultra interest-bearing account.

■ **Overdraft fees**
Many people overlook the "handling" fees charged by banks, concentrating instead on the annual interest rate.

Banks have moved away gradually from transaction fees – a charge made for each cheque or cash withdrawal during a quarter – in favour of flat fees. Those still retaining the former on their non-interest bearing current accounts are Lloyds, Royal Bank of Scotland and Yorkshire. But the flat fees now are mostly charged monthly instead of quarterly and NatWest has announced daily charges as well.

While the change favours those who are overdrawn briefly within a quarter, it is more expensive for those who overdraw every month.

From June 1, NatWest is to drop the £23 quarterly fee on its current account for an authorised overdraft and replace it with a monthly charge of £9. But it also has introduced daily charges of £3.50 for those who stray above their agreed overdraft limit by more then £50. This makes it the most expensive high street bank for those who have an unauthorised overdraft for a lengthy period.

Barclays Bank has increased its unauthorised monthly fee from £25 to £30 while Midland customers holding an Orchard account – the interest-bearing current account – will from May 10 be charged £17 a month instead of £15. The monthly fee for those with a prior agreement remains £7.

Midland is also substituting monthly charges for quarterly fees on its non-interest bearing current account. From June 5, the quarterly fee of £15 for an authorised overdraft will be replaced by a monthly charge of £7 – a 40 per cent increase for those overdrawn for a few days each month. Those who become overdrawn without agreement will be charged £17 a month instead of £39 a quarter – a 31 per cent increase.

Yorkshire Bank and Girobank are unusual in charging a flat fee regardless of whether you have an agreed overdraft. The fee is £8.50 a month (up from £8 a month since March 15) for Yorkshire and £11 a month at Girobank. Yorkshire says it regards the difference in its interest rates on the two types of overdraft as sufficient penalty (see table).

■ **Interest rates on overdrafts.**
The table shows the annual percentage rates charged now on interest-bearing current accounts. The APR calculation includes the overdraft fee, but some banks quote only an equivalent annual rate which excludes it.

Co-op and Bank of Scotland charge a single interest rate. Co-op says this is because considers all overdrafts above its £250 overdraft facility as unauthorised. Royal Bank of Scotland and Bank of Scotland leave the authorised interest rate on their non-interest bearing current accounts to the manager's discretion.

■ **Other charges.**
Banks also will charge for sending out an overdraft letter and for rejecting bounced cheques when a customer is overdrawn without authorisation, although NatWest is removing the charge on such letters after June 1 and Barclays also does not charge. TSB does not send out overdraft letters; it notifies customers of charges at least 14 days before making them.

BANK OVERDRAFT RATES

Interest-bearing current accounts

	Interest rate		Interest rate
Bank of Scotland		**Midland**	
Authorised	22.2 APR	Authorised	17.4 APR
Unauthorised	22.2 APR	Unauthorised	31.8 APR
Barclays		**NatWest**	
Authorised	19.2 EAR	Authorised	19.2 EAR
Unauthorised	29.8 EAR	Unauthorised	32.9 EAR
Co-Op		**Royal Bank of Scotland**	
Authorised	31.4 EAR	Authorised	19.5 APR
Unauthorised	31.4 EAR	Unauthorised	29.8 APR
Girobank		**TSB**	
Authorised	19.5 EAR	Authorised	18.8 EAR
Unauthorised	31.3 EAR	Unauthorised	29.8 EAR
Lloyds		**Yorkshire**	
Authorised	19.5 APR	Authorised	19.9 APR
Unauthorised	26.8 APR	Unauthorised	31.3 APR

Barclays sets a trap for fraudsters

Scheherazade Daneshkhu on the latest deterrent

BARCLAYS Bank will be using a new computer system from April 1 to trap fraudsters who try to use stolen credit cards.

The system, known as Fraud 2000, will monitor 100,000 daily purchases on cards issued by Barclays. The bank is the largest issuer of credit cards in the UK with between 35 and 40 per cent of the market.

Last year, it suffered worldwide losses from credit card fraud of £31.1m, down from the peak of £33m in 1991. Total plastic card fraud in the UK last year amounted to £165m.

Fraud 2000 will compare the purchase with a range of common indicators of card fraud, such as the number of transactions made in one day or the amount being spent. If it becomes suspicious – something which Barclays expects to happen in 20 per cent of cases – the computer will then look at the customer's account in detail and compare the purchase to their normal pattern of spending.

Barclays says this checking process will take only one fifth of a second. If the computer logs anything suspicious, it will alert Barclaycard's 24-hour fraud referral unit; Barclays expects this to happen in 250 cases a day.

A member of the unit will then speak to the customer over the telephone to check that the card owner is genuine. Details of the credit card account will be sought as well as personal information.

In cases where Barclays suspects fraud is involved, the unit will contact the police.

The main difference with the existing Fraudwatch computer system is that data will be analysed "live" instead of days later when the vouchers reach Barclays. "Given that around a third of our customers fail to report their card as being lost or stolen within 48 hours, Fraud 2000 will eliminate the head start fraudsters have had in the past," says Barclays.

However, the new system can only be used for those transactions where the retailer authorises the card directly with Barclays, either electronically or by telephone.

Authorisation operates in only 20 per cent of transactions but Barclays says it aims to increase the number of authorised transactions to one in four this year and to half by 1996.

The Consumers' Association welcomed the initiative but said it was concerned at the potential for embarrassment to genuine cardholders called to the telephone in front of other customers.

Barclays says it does not wish to lose customer goodwill. Its existing fraud control systems led to 3,500 arrests last year.

Directors' Transactions

IN THE WEEK of the Budget, directors continued to take profits on their own shareholdings, a trend which has not altered much since the start of the year.

With shares in Serco Group outperforming the market by 21 per cent over the last month David Perkins, the finance director, continued to take profits from his holding, selling 50,000 shares at 925p. This follows on from his sale earlier this month of 20,000 at 825p.

Earlier this year three directors of First Leisure, the holiday and leisure centres group, sold shares at 325p.

Most recently, a fourth director Richard Mills sold 25,000 – about a third of his holding – at 358p.

Following the announcement last week of results for 1992, which were broadly in line with market expectations, Brian Hawkins, managing director of Hall Engineering, bought 10,000 shares at 165p.

Louis Goodman, managing director of Citysite Estates, the property development company, bought 295,000 7 per cent CULS at 25p adding to the significant purchases he made in February.

Colin Rogers, Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Amstrad	Elns	55,500	19	1
Concentric	EngG	6,000	15	1
European Colour	Chem	100,000	19	1
First Leisure	H&L	25,000	90	1
Greggs	FdRe	2,650	14	1
Hambros	Merc	55,000	180	1*
Laporte	Chem	34,047	229	1*
London Merchant Sec	Prop	20,000	17	1
Manders Holdings	BdMa	9,000	27	1
Marks & Spencer	Stor	380,827	1,339	4*
Metal Bulletin	Med	5,000	14	1*
Microgen Holdings	Pack	45,500	100	1*
Paramount	Brew	100,000	11	1
Photo-Me Intl	H&L	100,000	310	1
Porter Chadburn	Cong	50,000	12	1
Property Sec Inv	Prop	50,000	59	2
RIT Capital CULS	InTr	250,000	285	1
Serco	BuSe	50,000	462	1
Tams (John)	Misc	13,000	11	1
Witan IT (warrants)	InTr	52,069	60	1
Wolvhmpton & Dudley	Brew	20,000	120	2
Wood (John D)	Prop	100,000	45	1
Wyevale Garden Ctre	Stor	507,500	874	1
PURCHASES				
Aberforth Split Unl	InTr	16,000	32	1
Abtrust Pref Income	InTr	48,342	40	5
Allied-Lyons	Brew	2,000	11	1
Banner Homes	C&C	200,000	80	1
Citysite Est CULS	Prop	295,000	74	1
Deb,Tews & Chinnock	Prop	20,000	15	1
Hall Engineering	EngG	10,000	17	1
Hartstone	Misc	7,811	11	1
Lloyds Chemist	Stor	5,000	15	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 15-19 March 1993.

Source: Directus Ltd, The Inside Track, Edinburgh

FINANCE AND THE FAMILY

Investment Trusts

Govett fights back from disaster

*New managers are helping an ailing fund to rebound sharply, says **Philip Coggan***

IT IS UNUSUAL for an investment trust to be viewed as a recovery stock, but that is probably the best way of looking at Govett Strategic. After a disastrous period late in the 1980s, it is now being re-shaped by two new managers. The question is: have they done enough to restore its reputation?

The trust was founded in 1923 as Border and Southern, and changed its name to Govett Strategic, adopting a new aggressive philosophy, in 1985. The strategy was for the trust to take very large stakes in small companies and to use them, on occasion, to provoke bid situations.

Early in 1987, this philosophy was extraordinarily successful. Smaller companies were outperforming and the trust's gearing (via three debentures) was enhancing returns. Net assets per share rose nearly 71 per cent in the year to September 30 1987.

But, as the graphs show, Govett Strategic fell off a cliff late in 1987. The gearing worked against it, small stocks suffered dramatically and, with large stakes, it was difficult for the trust to liquidate its holdings. In the year to September 30 1988, net assets fell by 44 per cent.

There was more bad news in 1990 as the recession and the Gulf crisis hit the UK stock market – and small company shares, in particular. Net assets fell by 44 per cent again in 1990 and, at 206.9p, were lower than their 1985 level.

This was not a situation which a board could be expected to endure. In April 1991, Govett Strategic brought in two new, young managers from N.M. Rothschild: Marc Gordon and Nigel Savage. It also promised shareholders the right to a vote in the winter of 1993 on whether to continue the trust.

This helped to narrow the discount, which had risen to over 25 per cent but has traded recently in the 10-15 per cent range.

Gordon and Savage found a trust which, they say, was unfocussed and structured poorly – 50 per cent of the portfolio was in stocks with market capitalisations of less than £100m. There were 11 companies where the trust had stakes of more than 10 per cent.

The weeding process took time but is now largely complete. The 10 largest stocks in the revamped portfolio are: Blenheim Exhibition, Tilbury Douglas, Farnell Electronics, Microfilm Reprographics, Takare, Cookson Group, Shell, Medeva, Kalon and Davis Service.

How successful has the change been? As the graph shows, the trust's September year-end did not help. At that time, the market had not yet responded to the benefits of Britain's exit from the exchange rate mechanism.

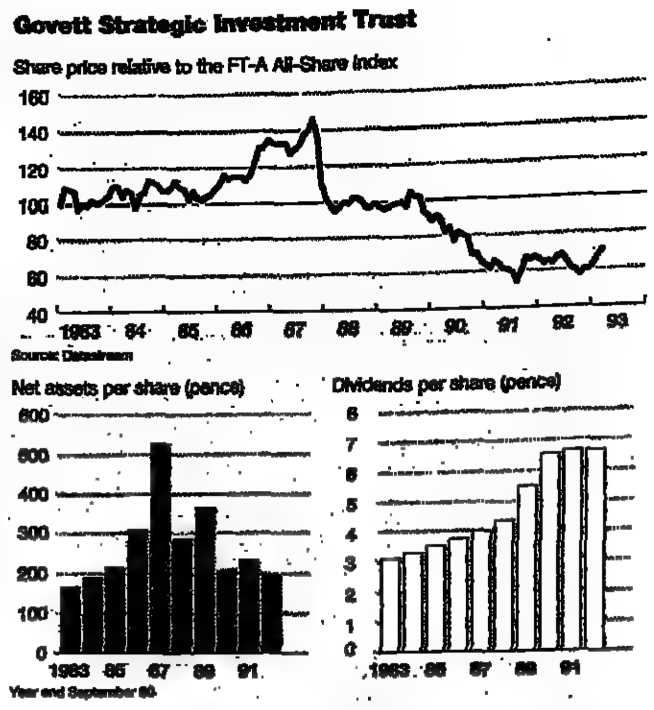
Net assets per share were 198.8p, below their 1985 level. Since then, though, the trust has rebounded with a vengeance.

Net assets per share are up nearly 30 per cent and investors enjoyed a 50.1 per cent return in the six months to March 1, according to Micropal (mid-market to mid-market, with net income re-invested). Over the past year, the trust is second in the UK general sector, with a rise of 27.1 per cent.

Lewis Aaron, analyst at S.G. Warburg Securities, does not think Gordon and Savage have done enough, however. He points out that 45 per cent of the trust is owned by five institutions (including Robert Fleming, with 15.4 per cent), which might well look for a wind-up. But he feels there is the possibility of a smaller, successor trust.

Hamish Buchan, of NatWest Securities, says the "jury is still out" on Govett's revamp. He points out that there is a "poison pill" in the £95m of debentures which the trust has outstanding. These are trading above par value so would cost extra to redeem - this would knock off another 8p-10p in the event of a wind-up.

So, there is likely to be some vigorous debate about the trust's future when the wind-up vote comes due towards the end of this year.



■ Key facts. The trust has gross assets of £363m and net assets of £266m. As of March 24 the net asset value was 272p, putting the shares, at 237p, on a discount of 13 per cent. The yield was 3.8 per cent. The management fee is 0.375 per cent of assets, with a further 0.125 per cent if the trust outperforms the All-Share index by 1 per cent.

■ Board. The chairman is Alan McLintock, the chairman of Woolwich building society. Other directors include Bryan Himes, a former general manager of ICI; John Kay, professor of economics at the London Business School; George Nissen, an adviser to Morgan Grenfell; and Michael Orr, chairman of Molins.

Directors with Govett connections are Martin Beaver, Mark Cornwall-Jones and William Govett.

■ Savings scheme and Pep details. The minimum monthly investment in the savings scheme is £25, and the lump sum £250. There is a charge of 1 per cent on all shares purchased, with a minimum of £1. Stamp duty also is payable. On sales, the administration charge is also 1 per cent, with a minimum of £10. Dealing commission is 0.25 per cent. Although the trust is Pepable, Govett has no specific plan related to it.

Covenant payments cannot be stopped

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

NINE YEARS ago, I made covenants in favour of two grandchildren and arranged that the deeds would carry on until my death. This was accepted by the Inland Revenue. Two more grandchildren arrived in 1987 and 1988. I then made further deeds of covenant.

I am approaching 85 and realise it is unlikely that the covenants will run until the youngest child is 18. This means that the older two will have a distinct advantage at my death. I am now considering cutting out the first two covenants and then terminating the others when the younger boys have received the same amount as the older ones.

■ You cannot cease the payments made under such a covenant. The deeds create binding legal obligations which can be enforced against you, and the parents of the minor children have a duty to enforce them.

Entitled to benefit

HAVING BOUGHT Treasury 8 per cent 2009 on the National Savings register, I was charged £309.10 for 138 days' accrued interest (gross). Can I offset this against the first payment of gross interest, and account to the Inland Revenue only for tax on the difference?

Also, having bought some Inchcape 12¾ per cent ULS and Bristol & West Pibs, I was charged a total of £354.40 as accrued interest. When I receive payment of the first interests, they will be paid net – which, of course, covers the accrued periods. Have I a claim for recovery of tax on the £354.40?

■ Although you forgot to tell us the nominal amount of each holding, it is clear that the total nominal amount exceeds £5,000. That being so, you are entitled to the benefit of the accrued-income scheme (AIS), and can claim the appropriate relief in your next tax return. Meanwhile, ask your tax office for the free pamphlet on the AIS: IR68.

Avoiding an IHT bill

WHAT IS the inheritance tax position if a mother and a daughter have joint holdings in a property and the mother dies? I am referring here to joint holdings, not tenants-in-common. What, also, is the position of the daughter's future children?

■ The transfer of the property interest by the mother to the daughter would attract IHT subject to an available nil rate band of up to £150,000. For property law, the property would pass to the other joint owner; but for IHT purposes, this would still be a chargeable transfer. It would be sensible to "skip" a generation by ensuring that the property passes to the children of the daughter so that no IHT is payable on her death. Obviously, the other commercial ramifications would need to be considered for such an action.

■ This answer was provided by Barry Stillerman of Stoy Hayward.

When a gift is a sale

I OWN THREE light industrial units which I bought in 1981 and 1983 and set wholly against income tax as then allowed. They are now worth more than the original price. If I sold them, I understand that I would be taxed on the income tax relief previously claimed, and then face a CGT bill on any excess of the price realised over the original price. If I gave them away to my adult son, what would be the position?

■ By virtue of section 21(6) of the Capital Allowances Act 1990, any transfer of the relevant interest in an industrial building otherwise than by sale in the open market has the same consequences as a sale at the price which it would have fetched on a sale in the open market. Ask your tax office for the free pamphlets CA2 (Capital allowances on industrial buildings) and CGT16 (Capital gains tax: indexation allowance: disposals after April 5 1988).

Transferring shares

I AM RETIRED with both state and employment pensions, sufficient for me to pay income tax. As I have a number of shares in my name, I would like to transfer them into my wife's name so that she will be able to reclaim the tax paid on dividends. Do I complete a stock transfer form to make this change?

■ Yes, you should complete a stock transfer form for each shareholding (not forgetting to complete the stamp-duty exemption certificate on the back); your wife should then send the forms and share certificates to the registrars. Very few registrars make any charge for registering transfers.

To prevent an attack under the anti-avoidance provisions, aimed at husbands who try to use their wives as mere puppets to obtain tax relief for their own benefit, we recommend that your wife have the dividends paid into an account in her sole name (to which you have no access).

The basic principle is that your wife clearly must be free to spend the whole of the income and capital as she pleases without being in any way answerable to you as to where it has gone.

Your wife might like to ask the local tax inspector's office for the free pamphlet IR110 (a guide for people with savings).

FINANCE AND THE FAMILY

Redundancy

Take care of that pension

***Debbie Harrison** explains how to make the best use of benefits and avoid the vultures*

PENSION choices for the redundant are similar to those facing job changers, but with one major difference – the newly-redundant usually have not lined up the next career move. Experts recommend strongly that you leave your benefits where they are and avoid the pension transfer vultures.

Stephen Walmesley-Cotham, a senior financial consultant with actuary William M. Mercer, says: "If you talk to an adviser about investing redundancy money, you may be persuaded to look at transferring your pension benefits at the same time. Don't do so unless you are clear about the future or there is some other over-riding reason for taking an immediate decision."

Nigel Taylor, a partner with actuary Clay & Partners, reports disturbing news about those just made redundant. "We have had first-hand experience of situations where insurance company salesmen were waiting outside the office door within two hours of a redundancy announcement," he says. "We have also seen insurance companies attempt to recruit newly-redundant individuals to sell policies to their colleagues."

■ Options

When you have sorted out your future employment, there are three main options: to leave your pension where it is; to transfer it to a new employer's scheme; or to transfer to an insurance-based product.

A fourth option – taking a cash refund of contributions – is available only to employees with less than two years' pensionable service. The refund, which might be compulsory, does not include the employer's contributions.

Refunds are subject to two deductions: first, to account for the tax relief that applied to contributions and, second, to cover back payments into the state earnings-related pension scheme if the pension plan was contracted-out.

■ Deferred pension

For those with more than two years' service, the simplest (and often the most sensible) option is to leave your benefits with the former company scheme. This is known as a deferred pension because the scheme retains your benefits until you retire. But employees with under five years' service can be forced to transfer out.

Deferred pensions can offer several advantages, but much depends on the generosity of the scheme in making payments above the legal minimum. For employees leaving service after 1985, the law requires all deferred pensions to be increased annually in line with retail price inflation (RPI) up to a maximum of 5 per cent. This is known as limited price indexation (LPI).

Some schemes make more generous increases, while full RPI is standard in the public sector. Clearly, this is an important point in favour of the deferred option. Other plus points are generous benefits for spouses and dependants. At present, there is no legal requirement to increase pensions apart from the guaranteed minimum pension (gmp) element, which replaces the State Earnings-related Pension Scheme benefit in a company scheme that is contracted-out.

Pending legislation will require schemes to increase pensions in payment by LPI from when the regulations are introduced.

■ Transfer to new scheme

If your new employer runs a pension scheme, you can take an inter-company transfer. But transfers between company pension schemes are notoriously complex.

In a typical "final salary" scheme, pension benefits build up at one-sixtieth of your final salary for each year of service up to a maximum of 40/60ths, or two-thirds, final salary. (The pensions of some high earners may be restricted further).

In an inter-company transfer, the ceding scheme actuary takes the number of "years" you have built up and calculates the cash equivalent. The receiving scheme actuary then calculates how many "years" that sum will buy in the new scheme.

Often, there is a discrepancy between the number of years in the old and new schemes. This is partly because of the relatively low assumptions used to calculate the cash equivalent, but also because you might be buying better benefits in the new scheme or your pension could be based on a higher salary. If you are concerned about the apparent discrepancy, you could ask an independent actuary to check the figures.

Bear in mind that if your transfer leaves you with a gap in provision, it is possible to top-up a company pension with additional voluntary contributions (AVCs) available through the employer's scheme, or with free-standing AVCs available mainly from the life offices.

■ Transfers to insurance products

Only when you have assessed the merits of a deferred pension or inter-company transfer should you consider a switch to a buy-out bond or personal pension, both of which are available from the life offices (and, in the case of personal pensions, from a handful of unit trust groups and friendly societies as well).

These products operate on a money purchase basis, which means that the contributions or lump sum transfers are invested to build up a fund at maturity. This fund is used to buy an annuity to provide the retirement income.

In switching from a final salary to a money purchase pension, you lose important guarantees. In particular, the pension – which, in the case of most company schemes, would have been a guaranteed proportion of your final salary – will now depend on a combination of the investment returns, the insurance company's charges, and the prevailing annuity rates.

If you opt for an insurance product, you need expert advice on the type and provider. Buy-out bonds retain the guaranteed minimum pension. Personal pensions offer no minimum guarantees.

Under both products, a proportion of the fund can be taken as tax-free cash. The maximum proportion under a personal pension is 25 per cent, whereas up to a third of the buy-out bond can be taken as cash. Walmesley-Cotham says: "As a general rule, people with a shorter period to run to retirement, and a reasonably long period of pensionable service, may do better with a buy-out bond. Those who are further from retirement, with a shorter period of pensionable service, may do better with a personal pension."

■ Early retirement

Companies that embark on a major redundancy programme may offer a special pension deal for volunteers. The most common perk is early retirement without actuarial reduction of the pension. This can boost the value of the benefits by as much as 20-30 per cent.

Care should be taken with the golden handshake. Any excess over £30,000 will be taxed at the individual's highest rate, so you should ask to have this re-directed into the pension benefit – particularly where this will be taxed only at the basic rate.

Clearly, the whole transfer process requires expert advice. If you think a mistake has been made by the company scheme, you should put your complaint in writing to the trustees. If you are still not satisfied, contact the Occupational Pensions Advisory Service (tel. 071-233 8080), preferably through the local Citizens Advice Bureau.

If the problem lies with an adviser or provider, you should contact the regulatory authority. This will normally be either Fimbra (tel. 071-538 8860) or Lautro (tel. 071-379 0444).

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Teachers' BS	Bullion Share	0800 378669	Instant	£500	7.00%♦	½Yly
Britannia BS	Capital Trust	0538 399115	Postal	£10,000	7.05%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	7.50%	Yly
City & Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%☐	Mly
Cheltenham & Glos BS	Best 90	0800 272383	90 Day	£50,000	8.30%	Yly
Scarborough BS	Scarbgh Ninety 3	0800 590 578	90 Day	£100,000	8.60%	Yly
Newcastle BS	Nova Star VI	091 232 6676	1 Year	£5,000	8.25%	Yly
Chelsea BS	Premier VII	0800 272505	1.8.96	£10,000	9.25%☆	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	8.10%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
Darlington BS		0325 487171	5 Year	£1	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	6.60%	Yly
				£25,000	7.10%	Yly
Northern Rock BS	Current	0800 591500	Instant	£50,000	7.07%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£25,000	7.30%	Yly
				£50,000	8.00%	Yly
Bristol & West Intl Ltd	Intl Premier	0800 833222	6 Mth ‡	£5,000	6.55%	Yly
GUARANTEED INCOME BONDS (Net)						
General Portfolio FN		0279 462839	1 Year	£50,000	5.10%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	5.55%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	6.00%	Yly
Financial Assurance FN		081 367 6000	4 Year	£20,000	6.35%	Yly
General Portfolio FN		0279 462839	5 Year	£50,000	6.60%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		1 Year	£1,000	6.34%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. B = Bond. ☆ = Rate fixed only until 1.7.93. ☐ = Rate guaranteed until 1.5.93. ♦ = Rate guaranteed until at least 1.4.93.
‡ = After 6 months qualifying period.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

Bonus payouts are cut

THE DOWNWARD trend in pay-outs on with-profits policies has continued in the past two weeks. Prudential, the largest life insurer in the UK, has cut both terminal and reversionary bonuses. Assuming policies had been taken out by a 29-year-old man paying monthly premiums of £30, 10-year endowments would have paid £6,350 (7 per cent down on last year's £6,828), and 25-year policies £58,032 (3.4 per cent down on last year's £60,075).

In addition, the Pru is cutting back on sales of its with-profits, single-premium bond, the Prudence Bond, which also invests in the company's main life fund. Minimum investment has been increased from £10,000 to £15,000 while early-surrender penalties have been added. If you discontinue in the first year there is a penalty of 5 per cent, reducing to 3 per cent in the second and 1 per cent in the third.

Legal & General has also cut bonuses across the board. As a result, using the same assumptions, pay-outs fall 7.9 per cent (from £6,704 to £6,173) over 10 years, and 2.4 per cent (from £61,586 to £60,113) over 25. Over 10 years, this is equivalent to an annual return of 10.4 per cent, while the return was 13 per cent over 25 years.

Britannic Assurance also announced reversionary bonus cuts, which brought 10-year pay-outs down by 6.1 per cent since the same time last year (from £6,796 to £6,385). But Britannic bucked the trend over 25 years, increasing pay-outs by 3.6 per cent (from £51,336 to £53,160) – although this leaves it as one of the lowest-paying companies.

John Authers

MINDING YOUR OWN BUSINESS

Computing/David Carter

A rare package: cheap and simple

ONE OF the healthiest developments in software is the increasing interest vendors are taking in the Soho ("Small Office, Home Office") market. All the big companies – Lotus, WordPerfect, Microsoft – are active here.

The most common Soho product is the integrated package, combining the three base applications of word processor, spreadsheet and database into one. So, for example, you can use the word processor to write your letters, the spreadsheet to keep track of sales and purchases, and the database to store names and addresses of contacts.

Integrated packages are the Ford Sierras of the software market. Although attention invariably focusses on the Rolls Royce products, for most of us an integrated package will more than fit the bill, and at a bargain price too. Why pay £300-£400 apiece for Microsoft's Word and Excel when Works for Windows gives you the essentials of both packages plus a very decent personal database, all for £145 the lot? So it is worth notice that this month's edition of *PC Magazine* evaluates eight of the leading integrated packages on the market.

Anyone who has tried reading product reviews in computer magazines will know that many are incomprehensible, written by experts who are difficult for the layman to understand. *PC Magazine* is written for the corporate power user and its reviews run true to form, with tests to find out which package is the fastest in handling documents 15,000 words long or spreadsheets 100,000 characters in size. In real life few will buy an integrated package for this sort of heavyweight application.

PC Magazine also conducts "useability tests". A group of office employees with experience of word processors and spreadsheets were given a set of tasks to perform on each package. Their progress and their responses were monitored. In contrast to the reviews, which can be safely ignored, *PC Magazine's* useability reports deserve close study, since they give the best approximation to how a new user is likely to get on with a package.

The overall winner of the eight tested and "editor's choice" was Microsoft Works (so it should have been, since it was virtually identical to what many of the testers were used to already). Works is a classic package and superb value for money. I use it myself. However, it is a sophisticated piece of software which presumes considerable prior knowledge of computer concepts. The manual and on-line tutorial contain reference material only and help the experienced user, rather than the beginner.

Most Soho users are working on their own and cannot call upon outside help. Nor can they afford to call in training consultants or to go off on courses at £350 per day like the corporate user. So Microsoft Works may not be ideal for novices unless they are the sort who relish a challenge and have bags of time to puzzle everything out.

If the main reason for buying a computer is to improve productivity, it becomes self-defeating if the buyer then has to drop everything else for a fortnight in order to learn how to use it. I would guess that some intelligent layman learning by trial and error, might take between three to 12 months to master all of Microsoft Works, with a lot of wasted time and false starts.

Software packages grow ever more complex, packed with more and more features. There are few on the market about which one can say to an intelligent novice who does not need sophisticated features: "This is the package you want; it is simple and straightforward and all the help you need is in the manual" and be confident that they can start being productive right away.

The only such integrated package I can think of is PFS First Choice from Spinaker Corporation, included in the *PC Magazine* review and praised by the testers for its simplicity as "a good choice for novices and home users." If you just want to do the basics and are willing to forgo the fancy fonts and graphics in order to become productive quickly, PFS-First Choice is the package to get.

The normal price is £159, but PC World stores (part of Dixons) are *offering* both PFS-First Choice and its companion PFS-First Publisher, a desk-top publishing package, for £79. The manuals of both contain really excellent tutorials which will get you off to a flying start. Also on offer are Windows versions of both packages. These are more "modern" and sophisticated, but if it is productivity you want you've got to keep it simple. *Stick to the older* DOS versions.

■ *PC World stores are at Croydon (081-649-9000), Lakeside (0708-869869), Brentford (081-560-0000) and Staples Corner (081-450-0909). Alternatively, contact Spinnaker on 081-742-7222.*

After the ball: designer deals with sudden fame

***Nikki Tait** meets the woman who made Hillary Clinton's ball gown*

HOW DOES a budding entrepreneur cope with a rush of publicity?

Ask Sarah Phillips, the Manhattan-born designer who created the blue-violet ballgown which Hillary Clinton wore on the evening of Inauguration Day. The dress, with its lace bodice, heavy beading and wafting mousseline overskirt, twinkled across 30m television screens as the newly-installed first lady waltzed round Washington dance-floors.

Designing the gown would have been a plum commission for any fashion business. The garment, after all, goes on show at the Smithsonian Institution and coverage of the inaugural balls is watched worldwide. But for a 37-year-old designer, who started her business only two years ago, the assignment would seem to represent the ultimate break.

Five minutes with Phillips dispels such illusions. For a start, she is talking from a loft, situated on a grafitti-ridden stretch of Manhattan's Lower East Side. This is where she lives and works, swatches of material nestling behind her sculptor husband's metalwork.

Not only is the apartment unpretentious, it is also frenetic. No sooner has Phillips finished haggling down the telephone with a supplier, than her husband begins a laborious conversation with the White House. He is struggling to secure pictures of the Inauguration evening on behalf a Japanese magazine interviewer. Forget secretaries, PR advisors, or flunkies. This is a one-woman, husband-assisted show – and taking advantage of the avalanche of interest which has followed the ballgown design is proving an uphill task.

Phillips's basic problem is lack of capital. She started the business with about $65,000 (£45,000) of family money, after training at New York's Parsons School of Design and working for the likes of Ralph Lauren and Christian Dior. She has never received a cent of outside funding, not even a commercial bank loan.

As a result, her scant working capital is tied up in a treadmill of sample lines and production costs. With no assets besides her talent, she is not the sort of proposition which has lenders salivating. Yet, to take advantage of her sudden fame – via a showroom or stepped-up orders – she badly needs financing.

Phillips, who aims to produce a spring and an autumn line, explains how the numbers work: "It usually costs $25,000-$30,000 to do a sample line of about 30 pieces," she says. (Her "normal" focus is on highly-tailored day and evening wear, ranging from a full-length coat which retails at $5,000, to evening pieces in the $1,000-$4,000 range).

"Basically, you need to have all this money upfront. Then you take your orders and produce. Again, you have to have the money to buy all the fabric, meet all the production costs." Production expenses, she estimates, are about 40 per cent of sales.

"Next, you ship the goods, and then the stores don't pay until 30-120 days after you've delivered. By that time, you've had to start your second sample line."

Phillips's orders have grown nicely, as a handful of upmarket boutiques and store chains, including Saks Fifth Avenue and Neiman Marcus, have taken her merchandise. Orders, which totalled $60,000 in the autumn 1991 season, topped $300,000 for the 1993 spring season. However, to fund the twice-yearly process and with limited funds to hand Phillips has been forced to raise cash by selling her purchase orders to factors.

The factoring businesses buy the orders at a discount of 1 per cent a week. "That means I'm paying them $3,000 a week to buy my fabrics and produce the line for me," says Phillips.

"We gave the factors $50,000 last season. The season before that we spent $25,000. Plus they get a fee. And this is all because banks will not lend to people who are starting out in business."

Phillips admits that the small scale of her operation increases the problem: "The whole idea is that you want to ship every month, so your cashflow is better."

She also acknowledges that her search for more substantial capital resources should have been given higher priority.

"We had some investors who were interested, but they weren't familiar with the industry and didn't understand the deadlines. We had to get the fall line out for this season, and a month went by. We really trusted them, which was probably our fault, when we should have been pursuing other avenues."

In the end, the investors dropped out, and Phillips says she does not know what will happen next.

But if capital problem was rumbling before the ballgown fame, it became doubly vexatious afterwards. "We never expected the assignment," says Phillips, who was asked to submit evening gown suggestions after Hillary Clinton bought a Phillips-designed suit in a Little Rock boutique and wore it at the Democratic Convention.

"We just weren't prepared. There were a lot of orders we couldn't fill because we didn't have the capital to go out and buy more fabric. Besides, it was getting so late at that point. We were starting all of our production patternwork, and that was the end of January. We were due to ship at the end of February and it was just too tight [to take on extra work]. If we were larger firm, we could have handled it."

A few lesser problems have also emerged. First, Phillips is now firmly associated in the public mind with ballgowns – or, in the case of some customers, bridalwear.

"I don't do ballgowns," she wails, sounding like an actress who is terrified of being typecast. "I did one particular ballgown for the first lady, and that's the only ballgown I've ever done. I really don't want to make a business of ballgowns. You don't make money."

Secondly, she is uncertain how the fashion business generally is responding to her sudden fame.

"A lot of popular designers got their nose bent out of shape on Seventh Avenue ... they wanted the job and were calling the Governors' Mansion in Little Rock on a daily basis. I understand. Who wouldn't want it? Still, when a relative unknown gets it ... some established designers who happy about it, although others were great."

Phillips says she would not have missed the sudden glory. She knows that she has acquired wider name-recognition as a result. Her husband shows a set of "behind-the-scenes" snaps he took of the Inauguration Day evening, which will probably become family heirlooms. They hope that the search for backing will prove fruitful.

"But," says Sarah Phillips, a little wistfully. "I would have prefered all this to have happened later in my career."

Helayne Seidman

Coping with success: dress designer Sarah Phillips, in her New York loft, is struggling to meet increased demand for her work

Earth's time bomb

■ From Page I

south-east Asia – steadily undermine the task of creating 40-50m new jobs world-wide each year to ensure employment for fast-growing youth?

If the latter cannot get jobs in the developing world, or if the rich countries' slide towards protectionism undercuts poorer nations' chances of paying their way in the world through exports, should we really be surprised if masses of people head north to find employment? Are European nations, already showing signs of xenophobia at the relatively small percentage of immigrants in their midst, capable of becoming real multi-cultural societies? If not, will the racial tensions worsen?

Finally, there is the consideration that not all of these troubled states are like Ethiopia: weak, and unlikely to threaten us in the future. The same explosive combination of fast-growing populations, frustrated youth, depletion of land and water resources and so on occurs also in parts of the world – Algeria, Egypt, Jordan, the Euphrates valley, south-west Asia – where fundamentalist, anti-western movements or ambitious regimes exist; where territorial disputes are long-standing; and towards which vast numbers of sophisticated, mass-destruction weapons continue to be *exported*.

If we prefer to see the secular, pro-western regimes remain in power in Cairo and Athens, is it not in our own best interest to seek to improve their countrymen's conditions? And must we wait until Rome or Frankfurt are in range of north African-based missile systems before we really get serious about arms' proliferation?

This brings us to the fundamental question: granted the above arguments, what, if anything, can be done during the next years to ameliorate and slow down (better still, reverse) these potentially dangerous trends?

Clearly, a great deal depends upon the peoples and leaders of *developing* nations themselves. European and American assistance can hardly be expected to produce improvements in countries where corrupt and obstructive regimes prevail; ethnic and religious rivalries dominate politics; deeply-held animist or fundamentalist religions impair any changes in the status and education of women (and thus also impair the prospects of reducing average family size); and faulty economic policies smother growth. On the other hand, we ought to be ready to offer a package of policies to reform-minded, developing countries which plead for our co-operation and aid.

These should include increasing the amount of development monies to at least the internationally agreed-upon target of 0.7 per cent of GDP annually; ensuring that such aid goes to environmentally-sound and sustainable projects in co-operation with local communities, and not to the clumsy "giganticist" schemes of the 1960s (steel mills, huge dams, etc); supporting the tens of thousands of engineers and scientists now released from cold war-related research to use their talents to produce low-level solutions to these global problems - small "solar ovens" to cook a village's daily meals, and solar energy projects in general are a good example here; transferring the fruits of breakthroughs in bio-tech agriculture (disease-resistant and head-resistant crops) without requiring large patent and user fees from poor nations; responding to the requests from tens of millions of married *women* in developing countries for safe and inexpensive contraceptives to permit them to stabilise family size; and, in general, aiding access to eduction for as many girls and women in those societies as possible.

'We need the whole-hearted co-operation of political leaders'

None of these programmes guarantees that we will head off global disasters. Taken together, however, they offer the best prospect of repairing at least part of our planet's troubled condition.

One further ingredient is necessary. Concerned intellectuals, editors, businessmen and members of the public cannot by themselves ensure that such reform policies will be implemented. This requires the whole-hearted co-operation of political leaders, especially those in today's richer, democratic societies. And therein, alas, lies the final problem.

We now have, in the Clinton-Gore administration, an American government that, for the first time in a decade, is concerned deeply about global demographic and environmental issues as well as domestic renewal – a significant change from the era of Reagan/Bush neglect that was so manifest at last June's Earth Summit in Rio. Ironically, this time around, we could see Washington more willing to assist poorer countries while many of the other OECD nations drag their feet.

With the ruling parties of Japan and Italy in a state of collapse and the governments of Germany, France, Britain, Canada and many others experiencing record levels of unpopularity, they are probably incapable at present of implementing generous, far-sighted policies to aid our global ills. But if little or nothing is done soon, won't we and our children all pay a far larger price for that neglect in the future?

■ *Paul Kennedy, professor of history at Yale university, is author of* The Rise and Fall of the Great Powers *(1988) and* Preparing for the Twenty-First Century *(just published).*

How to be a landlady

*Renting your house or flat can be very profitable, but there are pitfalls. **Judi Bevan** offers a trouble-free guide to letting your home*

ACTIVITY may be picking up in the housing market, but many homeowners still have an unsaleable house or flat on their hands. When personal circumstances change, and the need to move becomes imperative, one solution is to let the property on a furnished basis. With lower mortgage rates and stable rents, it can even be profitable.

But there are pitfalls. Agents can go bankrupt, tenants can disappear, cause damage or run up huge telephone bills. Here is a guide to trouble free letting:

AGENTS. Most established estate agents have letting divisions. Smaller agents may give a more personal service, but as one month's deposit is normally held by them, it is important that they are solvent. Visit them in their own office for an idea of the size and permanence of the business. Check out at least two agents and compare rates.

Read the terms thoroughly. For 10 per cent most agents will find tenants, obtain references, show tenants round the property, take an inventory, and draw up six months' assured tenancy agreements. For a fuller service, such as the cleaning and maintenance of the property, servicing of the appliances and rent collection the fee is likely to be 12.5 per cent or 15 per cent.

TENANTS. Usually portrayed as the victims, bad ones can make a landlord's life hell. They should be employed, or registered students attending a recognised academic institution. Obtain written references from employers or university or college and insist on meeting them.

Make it clear that only those who sign the contract are entitled to live there. Tenants have a way of inviting their friends to stay permanently.

Tenants and landlord should sign a six-month assured tenancy agreement approved by a lawyer. Incorporate a clause in the agreement, stipulating the number of people who may live in the property.

MOVING IN. Have the gas and electricity meters read, or read them yourself with the agent.

Make sure the new tenants register their names with the gas, telephone and electricity companies.

Take time to show the tenants round and explain how various appliances work. Your washing machine may be simplicity itself, but if they do not know how to clean the filter, there could be problems. If you are not available, leave clear written instructions stuck on to the appliance.

Remember, it is the landlord's responsibility to pay for repair bills and it is often difficult to prove negligence.

MOVING OUT. Two weeks before tenants are due to move out, arrange to have the meters read and the telephone disconnected.

Ask them NOT to have the gas or electricity cut off. (It can be a nightmare to try and be reconnected at short notice.) Inspect the property with your agent immediately they move out and before the deposit has been returned.

Check the heating and test all the appliances. Do NOT rely on the tenant's word that everything is working. Check the inventory with the agent and assess any damage and cleaning. Tenants should leave the property as they found it.

Return the deposit to them, minus any expenses.

Make sure you have all the keys back.

FINANCE. In order for the property to pay for itself, the rent – minus tax – should meet the mortgage repayments. One factor in the equation is that once you are letting, the property ceases to be your main residence and you will lose your Miras tax relief. Tax on the rental income is payable at your top marginal rate and is assessed in advance.

Legally, you must inform your building society of your intention to let the property. They will tell the Inland Revenue. Some building societies charge an additional half percentage point in interest when properties are let. Often, the threat of moving your mortgage will deter them.

Rent is paid in advance. Outgoings include the mortgage repayments, tax less 10 per cent wear and tear plus any decoration.

For example a house or flat worth £100,000 will fetch around £800 a month. At a mortgage rate of 8 per cent that will finance a £55,000 loan assuming tax at 40 per cent minus 10 per cent of the rent on wear and tear. On a tax rate of 25 per cent the loan financed would be £65,000.

If you plan to rent for more than a year or so, it may be worth getting a fixed rate mortgage.

Adjust your insurance which should now be for the building only.

Tenants are responsible for any damage and may take out their own contents insurance.

HOUSE. The better maintained, the higher the rent you can ask. Do not expect tenants to take care of the property, no matter how nice they seem.

Do not leave valuable ornaments, pictures and furniture in the property. Do not leave non-essential electrical appliances such as televisions or sound systems.

Impress on tennants the need to telephone you or the agent immediately there are problems. Be a good landlord or landlady and they are more likely to be good tenants.

Cadogan's Place

Sssh, green shoots

HAS SPRING come to the property market? Not quite, but it looks as if it is on the way. After a disastrous autumn for UK sales, estate agents are quietly optimistic that the worst is over. The winter brought many more viewings and – more significantly – exchanges of contract than in 1992, especially in London, where lower prices and a lower pound have lured foreign buyers.

CLEA, the co-operative of Central London Estate Agents, reports that contracts for sale rose by 30 per cent in January and February compared with October and November. In the country it has been more quiet but new buyers are appearing, sometimes with enough money in hand to move quickly.

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New to the market are two superb Grade I houses in Hertfordshire, both of the late 1720s. Much Hadham Hall is probably the work of Nicholas Hawksmoor (or possibly John James, Wren's master carpenter). The Rev William Stanley, the rector and a Canon of St Paul's, who was involved in rebuilding the cathedral after the Great Fire of London in 1666, decided to give himself this village palace when he failed to become Bishop of London – he knew it would irritate bishops who used the village as their country seat.

Much Hadham Hall is unusually intact for a house of this period. Built of brick with a tiled roof, it has large, light rooms around a black and white stone central hall. In the Georgian coach house a stack of Victorian striped awnings lurks in a loose box. It also has 6½ acres and an old-fashioned prep school-type swimming pool. Mullucks Wells (0279-755400) and The London Office (071-439-3900) offer this gem at around £950,000.

William Kent did the panelling and decoration in the other jewel, Odsey House, in Baldock. It is an extraordinary place to find in the country, as it is a red brick box with a handsome sash-windowed front but plain sides. It ought really to be part of a terrace in Richmond, Surrey, rather than deepest Hertfordshire.

The second Duke of Devonshire built this piece of urban sophistication. He copied his town house in Manchester Square as a racing lodge for use when he went to Odsey Racecourse. It is a warm, attractive, manageable house, hardly known until the relisting in the 1980s took it from nowhere to Grade I.

The Devonshires sold it in 1793 to the Fordhams, who kept the house until 1978 when they sold it to the present vendor. Redmayne Arnold & Harris in Cambridge (0223-323130) and The London Office offers it with three acres at around £500,000.

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To rent a Regency villa by John Nash (complete with a "pepperpot" tower) without paying Regents Park prices, ring the National Trust at Attingham Park in Shropshire (074-377343), where a house called Cronkhill is on the estate. Nash grafted it on to a brick and timber farmhouse. Proposed terms are a six months assured shorthold, giving trust and tenant a chance to see if they get on, followed by a seven years assured shorthold. The rent is £1,200 a month.

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At a guide price of £395,000 Savills (0491-579990) is selling the Wharfe Boathouse, at Henley-on-Thames, built in the 1890s in chalet style, with a balcony overlooking the regatta course and the finishing line. You live upstairs and keep your boats below in an enclosed dock. If you are entitled to wear the famous pink of Leander Club, this could be your dream home.

Gerald Cadogan

Odsey House, in Baldock. Built by the second Duke of Devonshire as a racing lodge

INTERNATIONAL PROPERTY

PERSPECTIVES

Ethnic cleansing: the phrase means death

Melanie McDonagh on the tactics of terror used by the Serbians to get rid of unwanted peoples

THIS WEEK, Serbian soldiers fired deliberately on UN helicopters carrying wounded Moslems from the eastern Bosnian town of Srebrenica. There has been nothing like this before, according to Elizabeth Baldwin, the spokeswoman for the UN operation. But the brutality was in keeping with the character of the war in Bosnia. It was an element of the larger attempt by the Serbs to drive Moslems from territory they want. In that revolting euphemism used to dignify expulsion and massacre, it was part of the process of ethnic cleansing.

There is more than one way of achieving this end, though. If you visit what is left of Yugoslavia, Serbia itself and Montenegro, you can see the other means that can be used to get rid of unwanted peoples. You can kill them or you can make them so frightened that they leave, anyway.

You can see all the conditions for cleansing in place in Pljevlja, a small town in Montenegro. The Moslems here have two insurmountable problems: they are in a minority of 40 per cent and the town is only a short drive away from Bosnia and the war.

It is strange, talking to the men in the bars. They are too frightened to be seen with westerners on the street or in their homes. "Even here, I am afraid," admitted one. They were all ordinary men: a young science teacher, a tradesman who had come back from Germany just a few years before, a chemist shop-owner. Every so often, they would call over someone who had dropped in. "We were normal before," said the shopkeeper. "Now, we talk about nothing but politics."

It is precisely their ordinariness that makes you believe them. They are prosaic men, constitutionally indisposed to hyperbole. "After the war in Bosnia started, all at once relations between Serbs and Moslems became cold," said one man. "Since then, the Serbs have been training with weapons. Not just Serbs from outside – the town is full of Serbs from Bosnia – but from here, too. They have the idea of Greater Serbia. Last year, many Moslems were sent away. There were fire bombs, over 40 attacks on Moslem businesses."

I had heard about this already: a paramilitary called Ceko Dasevic was responsible and had been imprisoned a month ago – because, it was rumoured, he had fallen out with the federal army commanders. But the psychosis the bombings brought about still exists. One man had two perfume shops that were attacked. "Everything was burned; I don't have the money to start again," he said. "I have a wife and two children, but I don't work. I've got to go – my life is in danger. If they do that to my business, tomorrow they will do it to my house."

Another said: "I'm a businessman, and for a year I have not been able to work. For 80 per cent of Moslems, it's like that. It's a psychic condition, a sickness here. I never thought I would be without work. I'm at home all day. After eight o'clock, I can't go out. This is a land without law."

The children put up with a different type of pressure. "My son is in a class of 30 children," said the grocer. "Ten of them are Moslems. The other day, he came home to say that the teacher had written all their names on the board, then crossed them out and written Serbian names beside. My son is called Riza; the teacher wrote 'Sergan' beside his name."

But the most concretely ominous development has been the arming of the Serbs. (Most Moslems, incidentally, insist that their problems are with Serbs rather than ethnic Montenegrins.) "The Serbs all have weapons and they can do what they like," said one man. "Recently, I was walking with some friends and I heard shots in the forest. They were training. On Mondays and Fridays, on market day, there's most to see here. People come down from the villages with automatics, in Chetnik uniform. We are closed in here. The villages on the mountains are all Serb. We have no choice here. We know exactly how it will happen."

"It'll be like everywhere else, from Slovenia to Bosnia," said his friend. "Serbian propaganda says the Moslems have many weapons. We've got weapons? Where from – tell me that? Pistols, maybe, but nothing more. But they will come into town from the hills and say 'Moslems will have to give up their weapons.' We won't be able to, because we haven't got any. Then they'll say, 'the Moslems have not given up their arms,' and the bombardment will start."

Death and destruction: the grim reality of Serbia's "ethnic cleansing" policy

Another man joined us. He was quiet and undemonstrative, with deep lines down his face. His town of Bisegrad in Bosnia had been "cleansed." He could not talk about it properly because he was unable to concentrate for long on those terrible events.

The federal army had occupied Bisegrad for a month. On leaving, it turned over all its arms to the paramilitaries – the White Eagles and Arkan's Tigers. The man hid with others in his cellar. The paramilitaries came, calling for Moslems by name. He saw many things: the women and girls taken to a hall in the town to be raped; and four men ordered to stand on the town's bridge, then shot, one by one, with pistols. He had escaped to here, where relatives had taken him in. He shrugged when I asked him what he thought about Pljevlja. "It's exactly the same as where I've come from," he said.

After Pljevlja, I returned to neighbouring Kosovo. Here, in the capital of Prishtine, you can still see election posters from last December. Zeljko Raznjatovic – better known as "Commander Arkan," paramilitary leader and war criminal – is now the Serbs' elected representative. His poster is on the walls and inside a few shops: dandling a blond-haired little boy on his knee, or dapper in military dress.

In this region, which used to be autonomous, there are nearly 2m Albanians: Serbs make up about 7 per cent of the population. In 1989, Slobodan Milosevic came here and promised Serbs that Kosovo would always be Serbian. After that, Kosovo's autonomy was taken away. When Albanian workers went on strike to protest, 105,000 were sacked – everyone in state employment, from road sweepers to magistrates.

The Albanian curriculum in schools and university was prohibited; Albanian education was driven underground. At the same time, the police arrived in force from Serbia – to protect, they said, the Serbs from Albanian aggression. Unemployment and police problems might seem to pale besides the threat of being killed. But the effect – to make people leave, and want to leave – is the same.

It is in small ways that you notice the increasing demoralisation of the Albanians. If you walk home at midnight – after the informal curfew – in Prishtine with an Albanian, you have to tread carefully. You advance slowly towards a crossing, then glance down the street, searching for the silhouette of armed police. If the street is clear, you walk ahead rapidly.

Actually, I stayed a few paces behind my companion. When it was safe, I was beckoned forward. It was not a game – when I last visited the Grand Hotel here two months ago, an Albanian was shot dead outside the JNA barracks next door just a couple of hours afterwards. "You don't understand what it's like," my companion said, afterwards. "The police here aren't normal. All they want to know is whether you're Serb or Albanian. If you are an Albanian, they beat you."

Unemployment, harassment, poverty: the result of the campaign against the Albanians is predictable. Shortly after I arrived, I met a man who was going to Turkey the next day with his wife and baby daughter. "I do not want to go," he said, "but there is no future here." It does not sound like ethnic cleansing. But it amounts to the same thing.

OUTDOORS

Motoring / Stuart Marshall

Ouch! Take that, Rolls-Royce

THE HANDFUL of rich men who run Rolls-Royces on their businesses are going to be clobbered by the new company car tax rules.

It is hard for ordinary mortals to feel too badly about the fact that they are going to have to pay anything from £10,000 to £15,000 a year in extra income tax. Most of them will still have an awful lot of spending money left.

But the effect on Rolls-Royce Motors and the shrinking band of craftsmen it employs is potentially dire. Unless, that is, changes can be made to the Finance Bill which will give effect to the chancellor's Budget proposals while it goes through the House of Commons.

Rolls-Royce Motors is not in the best of financial health. Last year, it sold 1,378 Rolls-Royce and Bentley cars – 380 of them, nearly all to companies, in Britain – compared with the 3,000-plus world-wide in the loadsamoney days of the mid to late 1980s. And it is reckoned to have made a loss of about £25,000 on each car sold in 1992.

Having shed nearly 1,000 workers earlier this year in a bid to be slim enough to be profitable while making only 1,378 cars a year, the thought of the Budget denying it even a single home market sale is unappealing. So, the lobbying has started.

In badgering MPs to support a better tax deal for megabuck motorists, Rolls-Royce will, at least, have the moral support of Mercedes-Benz UK. The man who runs a Mercedes-Benz 600SEL (list price £88,600) on his company will see the taxman's take go up from £3,720 now to £4,018 next year, and then more than double to £8,272 in tax year 1994-5.

That apart, Mercedes-Benz and all the other purveyors of full ranges of luxury and executive cars, such as Jaguar, Daimler and BMW, have greeted the Budget with relief. Even, in the case of Jaguar, with enthusiasm.

It calculates that the vast majority of its customers will do rather well out of it – which, of course, means it will, too. This is all because the formula based on both engine capacity and price is to be replaced by one based on list price only.

Here is how the sums add up. A 40 per cent taxpayer who drives a Mercedes-Benz 190E 2.6 (list price £25,700) between 2,000 and 18,000 business miles a year now pays £2,300 tax on the benefit. Under the new rules, this goes up to £2,484 next year and then drops to £2,399 in 1994-95.

The user-chooser with a Mercedes-Benz 190D 2.5 will do better still. From the present £2,300, the tax charge rises to £2,481 from the fifth of next month and then falls by £467 to £2,017 in 1994.

One can see why Rolls-Royce –

Rolls-Royce will be seeking a better tax deal for megabuck motorists

and, to a lesser extent, Mercedes-Benz UK – are crying for a cap to be put on taxable car values at, say, £60,000. Rolls-Royce feels the loss of revenue would be insignificant but implies that the loss to the United Kingdom if tax sounded the marque's death knell would be enormous.

All Jaguars, except for the £46,600 XJ12, will attract 1994-95 tax penalties lower than those for 1993-94 by between £39 (the XJ6 3.2) and £880 (XJS 4.0 coupé). A Jaguar XJ12 user will have to pay another £351.

But a jubilant Roger Putnam, Jaguar's sales and marketing director, says this is substantially less than a similar imported V12 (he means a BMW 750i or 850i or a Mercedes-Benz 600SE or 600SL) would cost the customer.

The chancellor's decision to increase company car tax scale charges by 8 per cent has gone down less well. It means the driver of a just under two-litre Rover 800 will pay an additional £88 a year. On the other hand, drivers of fuel-saving and environmentally friendly diesel cars like the £17,995 Peugeot 605SLDT, £18,435 Citroen XM Turbo or £18,595 Rover 825D will gain substantially.

They have been hard hit by having to pay roughly double the tax of their petrol-powered counterparts simply because the engines of their vehicles broke the two-litre cylinder capacity band by a few measly cubic centimetres. Now, they will pay the same.

Full marks, they will say, to the chancellor for ending a flagrant injustice; but only two cheers for not increasing the price differential between unleaded petrol and diesel fuel. They find this hard to square with his declared aim of using higher fuel prices to reduce energy consumption and air pollution.

Modern diesel cars use up to 30 per cent less fuel and put less muck into the atmosphere even than petrol cars with exhaust catalysers. Yet, diesel prices at the pump, in spite of a marginally lower rate of duty, remain obstinately about the same as those of unleaded petrol.

Barring Switzerland, where diesel is actually 1.5p a litre dearer than unleaded petrol, every other European country encourages diesel cars with cheaper fuel – by as much as 19p a litre in France and 18p in Holland.

The Society of Motor Manufacturers and Traders, the car-makers' mouthpiece in Britain, thought it really had got the diesel car message across to government this year. But it believes one expert adviser who has the chancellor's ear does not like diesel cars and is more inclined to put in the boot than a good word.

Perhaps next year . . .

■ *Next week: how the Budget may influence the cars themselves and the way they are sold*

Gardening

The Cherry Choo-Choo

UNDER THESE amazingly blue skies, garden-watchers are having the spring of a lifetime. Magnolias are standing out like batteries of white candles; trees are exhaling blossom everywhere and primroses have never looked happier. It makes us all want to travel and see it; but where there is travel, there are customs. I think our wise men are missing a chance. With a slight encouragement of our national habits, the season could be turned to the national advantage: it might help with everyone's problem, however, to sell British Rail.

In the Far East, they have already made the connection. In Japan and Korea, this week and next are the season of blossom-viewing, when crowds shuffle to and fro on public transport to gaze at cherry trees, admire their evanescence, drink too much and take the memory home. In Korea on Thursday, huge crowds will be converging on the south-eastern town of Chin Hae. There, 40,000 cherry trees are expected to be flowering in the suburbs in the yearly festival which brings viewers on long train journeys.

Where the Far East is today, should not Britain be tomorrow? We are supposed to love gardens; our blossom is fantastic; why not pilot a cherry-viewing festival, shepherd the crowds on to trains for a special Blossom Break and pack them off to get mildly drunk before clouds of Prunus pissardii of late March and April? With the year's notice, British Rail could probably cope with the surge. The design concept would need BR's usual flair but might I suggest the Cherry Blossom Choo-Choo, fanning southwards into Kent, the Garden of Britain?

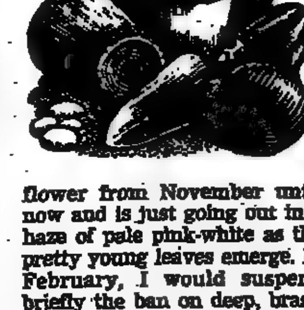
There is what British Rail might call a "hazard" in this copycat scheme for Korea. It involves real trees, whereas the management feels much safer with artificial substitutes, as you can still see on their London stations. It also involves unpredictability.

Near Chin Hae, the unpredictable elements are the cherries, which are sometimes too late for the festival, although tradition has fixed it on April 1. In Britain, I will explain how we can be more flexible about our prunus: the problems, rather, are the trains. Here, some of our cherry blossom is remarkably short-lived, often looking its best for no more than five days. Setting out on the blossom run, would British Rail arrive in time? I wish we could be confident.

Knowledge, however, helps to circumvent problems and this year we have been shown the way forward. Gardeners who avoid prunus trees usually give three reasons: their season is much too short; after flowering, the leaves are boring; and too many of their colours are a vile sugar-pink. Each complaint is narrow-minded and no season has done more to expose them than 1993.

Since January, cherry blossom has been continuous, hopping from one variety to the next and promising to stretch to the end of May. It makes me keen to plant a selected cherry calendar and to tie up with Blossom Network South-East.

As ever, my top Number One tree in Britain is the winter cherry, prunus subhirtella autumnalis, which has been in



flower from November until now and is just going out in a haze of pale pink-white as the pretty young leaves emerge. In February, I would suspend briefly the ban on deep, brash pink and follow up with one of two British selections, based on Japanese blood; prunus Okame or, even better, Kursar.

After Kursar, I would avoid all varieties of prunus with purple leaves. Admittedly, the pale clouds of blossom on the popular little pissardii have looked marvellous in our garden suburbs, where Richmond's side streets are surpassed only by Oxford's Woodstock Road. In a garden, though, this tall variety is second rate because the leaves are so drab after flowering. Instead, I would choose Umeniko; its large, white flowers are short-lived but the leaves are fresh green on a manageable upright tree.

In April, I have a soft spot for the Sour Cherry, prunus cerasus Rhexii; its double white flowers are large and showy at a time when the family is swamped with pink. Our native Geans then take over: first the single prunus avium and then, a week or so later, its double-flowered sister. As May begins, it is then time for Tai Haku, the broad-spreading beauty which is the queen of all the large-flowered whites. Be warned, however, that her eventual width is very large: she is not a tree for a small garden.

Across five months, therefore, we could surely cope with problems of time-tabling. Individual cherries are here and gone but, with a seasonal Blossom Basic, you could be confident of seeing something in this versatile family. Where there is pilgrimage, there is always a profit: add in a Blossom Blessing Sunday and the train-loads of pilgrims might raise the attendance figures of two declining institutions, all for the price of a single ticket.

Robin Lane Fox

Letterboxes for loners

Clive Fewins is intrigued by an obscure Dartmoor pastime

TOMORROW, around 2,000 members of one of Britain's most eccentric clubs will hold one of their twice yearly "meets" at the Prison Officers' Social Club at Princetown, Dartmoor.

There will be no agenda and no formal structure to the meeting, for the "organisation" behind the Dartmoor Letterboxers has no officers and no constitution.

Nevertheless devotees of this west country cult will travel to the event from Scotland, the north of England and Wales to swap information and reminisce.

All share a passion – hunting plastic ice cream boxes, biscuit tins and metal ammunition boxes hidden in boggy hollows and under piles of stones on remote tors.

Each "letterbox" contains a rubber stamp, a book in which to record his or her name, and the address and telephone number of the person who put out the box.

All letterboxers travel armed with a rubber stamp pad and many carry their own personalised stamp which they insert in the record book in the box.

It is not so very different from the summer day in 1854 when a Dartmoor guide named James Perrott stuck a bottle in a remote part of the moor called Cranmere Pool and left his card in it.

The challenge was for people to walk to the pool and leave a calling card or self-addressed postcard to show they had been there. A custom emerged of signing a visitor's book and leaving a self-addressed postcard which the next visitor would carry to a real post box off the moor.

Today, the callers' book remains in every letterbox, but the main challenge is to log 100 letterboxes and to collect 100 stamps and so become a member of the Dartmoor Letterboxers 100 Club.

"Although there are now 9,000 recorded members of the 100 club, letterboxing itself is an extremely informal business," said veteran plodder Godfrey Swinscow, 73. He is the genial retired brewer who has acted as a focal point for the Dartmoor letterboxers since 1978, a year before he founded the 100 club.

Some enthusiasts have beaten the figure of 100 letterboxes many times over. Michael Perry, a student from Plymouth has discovered nearly all the boxes and claims to have walked 6,000 miles over the moor in search of them since the age of 10.

He has sought out letterboxes as a cub, a scout and with his family, and still spends every second weekend and much of his holiday time letterboxing. "It's a compulsive pastime. It's challenging, there's an air of mystery to it, and you meet lots of people," he said.

"A lot of my friends think I'm a bit weird but, when they try letterboxing themselves, most of them get hooked. You've got to be a bit crazy to enjoy it, but my parents still love letterboxing and so do thousands of others."

What is to stop ordinary members of the public discovering, and possibly removing or vandalising, letterboxes they might find when out on the moor?

"Nothing," says Swinscow, "except that they would have to be very observant, or very lucky, to find one on foot in a remote area.

"Experience shows that most visitors to Dartmoor rarely walk more than 100 yards from their car. And, of course, if that person is keen enough to walk that far, he or she will probably be an enthusiastic type who is so fascinated by the discovery of a letterbox that we gain another recruit to our ranks."

At this time of year Swinscow is out on the moor most days, checking, cataloguing and plotting the locations of letterboxes, which are constantly arriving and being removed by their "minders."

If you do find a letterbox by chance while out on the moor, how do you get started as a letterboxer? And how, for that matter, did seasoned letterboxers get going, discover boxes, and go on to "plant" their own?

"People have to rely a great deal on their initiative, powers of inquiry and on what they learn from other walkers on the moor – often letterboxers themselves," Swinscow said.

He is happy to help aspiring letterboxers get off the mark, but he is also keen that the pastime should retain an air of mystery.

Swinscow produces a six-monthly printout of all the known letterboxes on the 365 square miles of the moor. It is available only to enthusiasts and is also the only means of keeping keen letterboxers up to date.

This is because boxes come and go, put out by a wide range of people for a variety of reasons. The person who puts out the letterbox is also responsible for its maintenance and, ultimately, for removing it. Swinscow makes it his business to check this process – inevitably on foot.

"Letterboxing brings pleasure to thousands. It is a very good way of making friends, poses a challenge, and provides an added interest for young and possibly slightly reluctant walkers," he said.

"Above all, it introduces thousands of people to the wonders and mysteries of a marvellous tract of countryside."

■ *For details of how to start the hunt for some of the Dartmoor letterboxes and 100 Club details write to Godfrey Swinscow, Cross Farm, Diptford, Totnes, Devon. Tel: 0548-82325*

FASHION

Dressing for the Professions: **The Doctor**

Division of medical opinion over the 'feel-better' factor

***James Lefanu** unravels the secret codes of the white coats*

MEDICINE IS a middle brow profession, too serious for its head to be turned by the vagaries of fashion, too disinterested to notice that fashions change. Most doctors think the correct dress code should be a boring and worthy one – "neat and unostentatious."

This is certainly the impression one gets surveying the dining-room in the Royal Society of Medicine at the bottom of London's Wimpole Street, an agreeable gossip parlour for the hundreds of doctors who have their rooms nearby. No evidence here of made-to-measure suits or shoes from Lobbs, no power dressing Joan Collins-style. Rather, there is a vista of nondescript blues and greys, plain shirts and sober ties interspersed with the sensible shoes and tweed skirts of women doctors.

There are two exceptions. Heart surgeons dress more expensively because, as Dr Tom Stuttaford says: "This gives off a hidden signal that they are rich and successful, which is bound to boost a patient's confidence."

Paediatricians, believing that being jokey and cheerful helps break the ice with their young patients, favour brightly coloured shirts and bow ties.

Still, within the "neat and unostentatious" range there is room for subtle variations which reflect the personality types that are attracted to the different specialities: surgeons, as practical men of a conservative bent, favour pinstripes; male obstetricians are not averse to flashy ties and fashionable footwear; geriatricians – the idealists in medicine – wear cheap shiny suits.

It was not always thus. When a doctor's income was dependent on private patients, there was a conscious attempt to follow the advice of the 16th century physician of Salerno that "a doctor who dresses poorly will attract poor patients". Those who could afford to drove a Rolls-Royce and dressed in a morning suit, top hat and even spats.

But medicine in those days was more theatrical because the best hope of success was to convince patients they would indeed get better. So Sir Ralph Bloomfield-Bonington, in Shaw's *The Doctor's Dilemma*, "radiated an enormous self-satisfaction, healing by the mere incompatibility of disease or anxiety with his welcome presence. Even broken bones, it is said, have been known to unite at the sound of his voice."

In the more anonymous setting of the hospital, medical dress changes. When hospital doctors slip into white coats at the start of the day, they cease to be private citizens and assume the persona of their profession: clinical, conscientious and authoritative. The white coat legitimises requests to perfect strangers to remove their clothes and let themselves be bullied; it reinforces the reliability of diagnoses and the efficacy of remedies.

The white coat is more than hospital doctors' uniform. It is intrinsic to the successful practice of their skills.

Among doctors it is a subtle signifier of position in the hierarchy. Medical students' lowly status is advertised by their coats being truncated just below the waist. The overworked housemen are identified by pockets bulging with the notebooks in which they record the many investigations to be performed on their patients. The registrar is not so encumbered, but as the hospital management has decreed that junior staff may only change their coats once a week, it is usually dirtier than the outfit worn by senior registrars who are allowed to change every day. At the top, consultants distinguish themselves by not wearing a white coat at all. When doctors at London St Mary's Hospital were asked in a questionnaire their reasons for wearing a white coat, "easy recognition by colleagues" was the dominant response.

The white coat also has the symbolic meaning of purity. It represents innocence of purpose and the absence of malice as well as superhuman power and goodness – the saints who have triumphed over death are robed in white.

White coats are also what scientists wear. It is no coincidence that they first became popular in hospitals in the 1930s at the time of the introduction of the first antibiotics, when it became clear that the future of medicine would lie in discoveries made in laboratories.

Dr Joseph Kriss, of Stanford Medical Centre, says: "It is symbolic of an attitude which conveys to even the most anxious patients, a sense of seriousness of purpose," – although recently the white coat has come under attack for "inhibiting the doctor-patient relationship."

Similar sentiments have led to the adoption of a casual style of dress in general practice. Dr Jenny Law, from an inner city practice in Vauxhall, south London, finds formal clothes "uncomfortable for myself and off-putting particularly for children. I know my patients well and they know me and frankly I think they could not care less what I wear."

This too was the opinion of Dr Brian McKinstry, a GP in West Lothian, until he investigated patients' attitudes by showing them five photographs of differently attired male and female doctors.

"I expected they would favour the smart, casual look of cardigan and sports shirt – but I was wrong," he says. The doctor in the smart suit proved much the most popular followed by one wearing a tweed jacket. The female doctor in slacks scored lowest of all.

"It is hard to be sure how important this is when compared to a doctor's kindness or willingness to listen," he says, "but if patients do have more confidence in a well-dressed doctor, then it would seem logical for doctors to dress in that way."

Lydia van der Meer

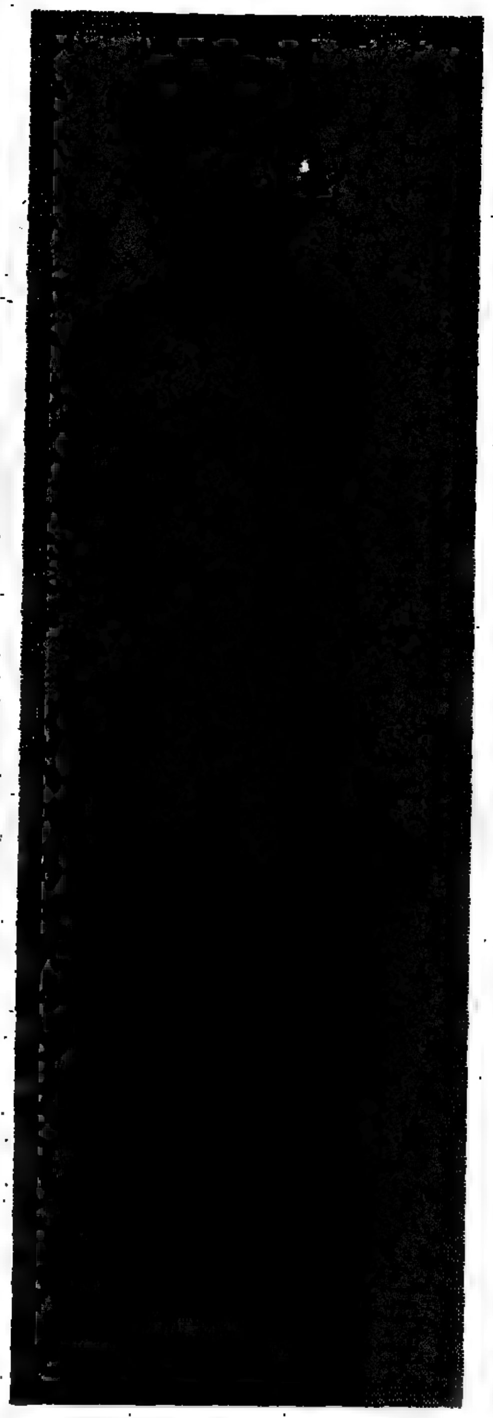
Dr Kate Costelloe, consultant for neo-natology at St Bartholomew's Hospital, London, wears a brown wool jersey skirt and silk T-shirt, both by Paddy Campbell, a mustard wool jumper by Nicole Farhi and brown suede shoes by Hobbs

Dressing seriously: the old medical look

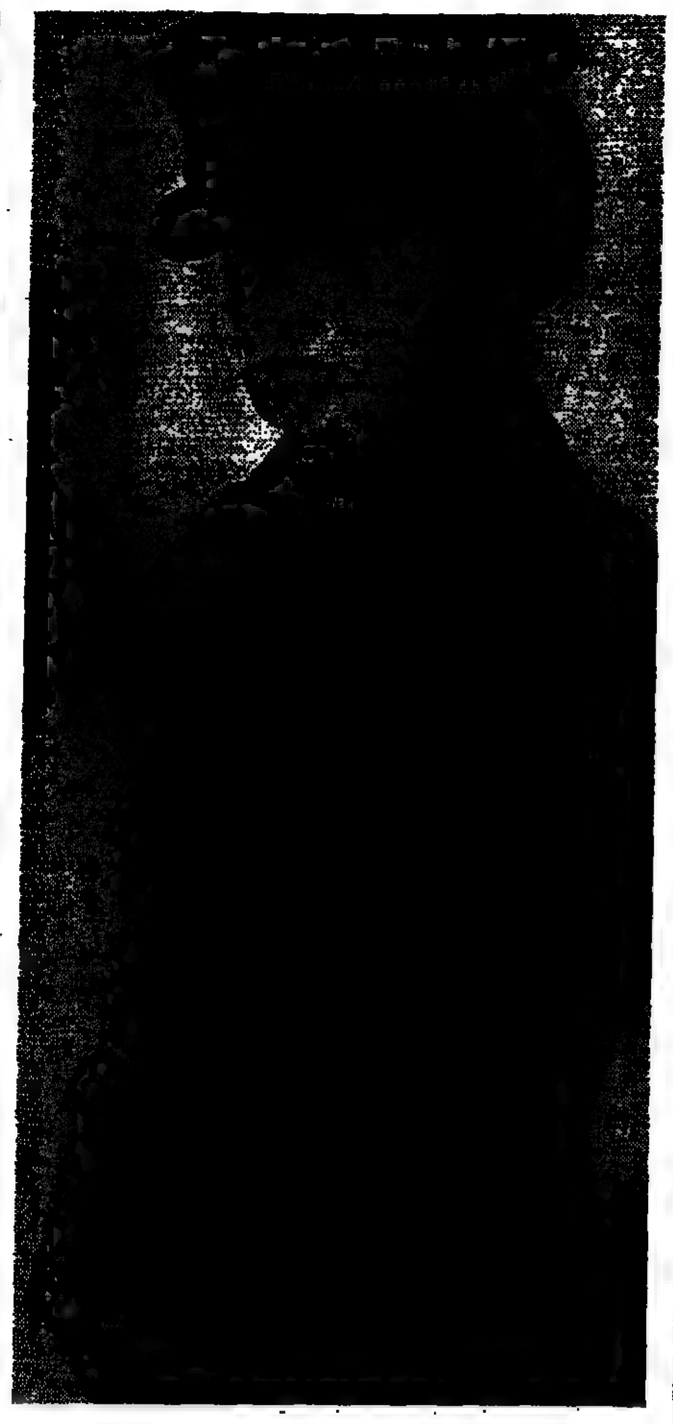
Heart surgeons such as Professor Sir Magdi Yacoub favour a more expensive cut

FASHION

Mixed knits and tweed – Lacroix



Long-cuffed shirts – Dolce e Gabbana



Softer tailoring – Montana

Use of sheers – Chanel

Greatcoats with everything – Tatsuno

Mixed textures – Gigli

New long gilets – Ozbek

Designers take refuge in Spiderwoman clothing

*After weeks of observation, **Avril Groom** is still trying to make sense of the autumn collections*

AFTER THREE weeks of Europe's autumn collections, the only clear message is that fashion is changing radically. Even some of the world's top designers are uncertain how to make the change from short, sharp tailoring to long, soft fluidity.

As usual in confused times they resort to fancy dress and historic costume. The cast of thousands includes swashbuckling dandies, Victorian tarts, medieval damsels, low-life waifs, urban warriors, orthodox Jews, Spiderwoman and the brides of Dracula. Buyers have the tough job of turning characters into clothes which, once the dust has settled, will mean something in your wardrobe come the autumn.

They may sit through outlandish catwalk shows to catch the mood, but the serious business is done in the designers' showrooms where, stripped of exotic accessories and the most outrageous items, collections can be pieced together as real women wear them.

Buyers are spending more time in showrooms because increasingly that is where fashion excitement lies, with young designers, followers of the avant-garde, who feel that their understated 1990s style does not benefit from the broad canvas of the catwalk and who cannot afford glitzy locations and supermodels.

London led the way with, for the first time, a £30,000 Department of Trade and Industry grant, by staging a smaller exhibition where hotel rooms doubled as showrooms and with notably smaller-scale catwalk shows.

In Paris, Martin Margiela, most influential of the Belgian and Nordic designers whose severe style, often made from recycled fabrics, is now becoming almost mainstream has, until now, held anarchic shows in derelict locations and felt unhappy about them.

This season in his showroom he talks visitors through his collection with the help of a video and speaks for many others when he says the "human element" of conversing with his customers is important. "That way I learn what people want from my clothes, and they learn to understand them. It is easy to become remote from reality as a designer."

Buyers agreed that 1990s fashion is a soft and delicately-detailed flower, better viewed on an intimate scale, and that the narrow-shouldered, wide-hemmed, gracefully-fluted longline silhouette promoted by Margiela and his peers since 1988 is the basis for current change and should be at the root of anything you buy for autumn or even for this spring.

It is, broadly-speaking, a 1970s shape, but the current rash of styles and accessories directly inspired by that decade will be but a summer's passion, in spite of the tight-bottomed black flares being sported by women of all ages in Paris's spring sunshine last week, far more to French taste than the long, droopy skirt.

By the autumn, according to Amanda Verdan, buying director for London's Harvey Nichols department store, wide, soft trousers will have taken over. "They go with the softer but tailored jacket that no working woman will abandon", she says.

"Skirts are harder to wear – they should be slightly A-line or bias-cut. But the real story is soft layers. Fine knit is easiest but the bold way is with mixed textures – rugged knit with tweed and chiffon, velvet with crochet, lace and pinstripe. Pinafores and white shirts with long cuffs are important, plus a velvet jacket and a greatcoat to go over everything. Colours are black, other rich deeps and brown. The designers doing it best are Montana, Ozbek, Dolce and Gabbana, Callaghan, Moschino, Betty Jackson, Jasper Conran and British knitwear firms."

Wide trousers – Yamamoto

Her American counterpart at Saks, fashion director Nicole Fischelis, is in broad agreement. "This is a romantic, rich season for fabrics like velvet, lace, brocade and tapestry. And black cobwebby crochet – the Spiderwoman look. Everything is soft – even Armani has ruffles. Soft knits will be huge – Missoni has its best collection in ages." She is also very struck by Lagerfeld's "use of sheers and sophisticated Edwardiana" at Chloe, Dolce and Gabbana's "retro but freshly modern" dandies and Lacroix's "wearable print and knit mixes in wonderful, unexpected colours".

Like her, Joan Burstein who owns Browns, one of London's best-known boutiques, is committed to knits. "Length and fluidity are essential, even for the working woman," she says. "Jackets will continue but very softly, perhaps as a cardigan. The long, knitted gilet is the newest shape. Missoni and Sonia Rykiel, who always do knitted layers, look exactly right now, as do Romeo Gigli's muted layers."

She is excited by the so-called avant-garde – Comme des Garcons, Ann Demeulemeester and Martin Margiela. "No-one need be afraid of these clothes. They don't have to look 1970s or raw-edged low-life but this will be a season when wise shoppers will get personal help so it looks individual, not fashion-victim. These designers are pushing fashion to its edge but, carefully edited, the clothes are beautiful".

Rita Britton, of Pollyanna in Barnsley, one of Northern England's most adventurous shops, has had a long love affair with the avant-garde and finds this autumn "the most exciting season ever for buying. Glitz is dead; now it's about the simple, dark, cleverly tailored layers that I and my customers love".

She is shortly to open a shop devoted to the original Japanese avant-garde triumvirate of Yohji Yamamoto, Comme des Garcons and Issey Miyake, and has bought Margiela for the first time.

"I filter creative collections and buy quite safely," she says, "and I try everything on because most of my customers are like me – middle-aged. I love wide trousers, especially Yamamoto's, Comme's mixes of chiffon and knit, Margiela's soft cable knit with net overlay and Gigli's soft cashmeres with ankle-boots. For evening, medieval velvet or bias-cut chiffon and satin looks right".

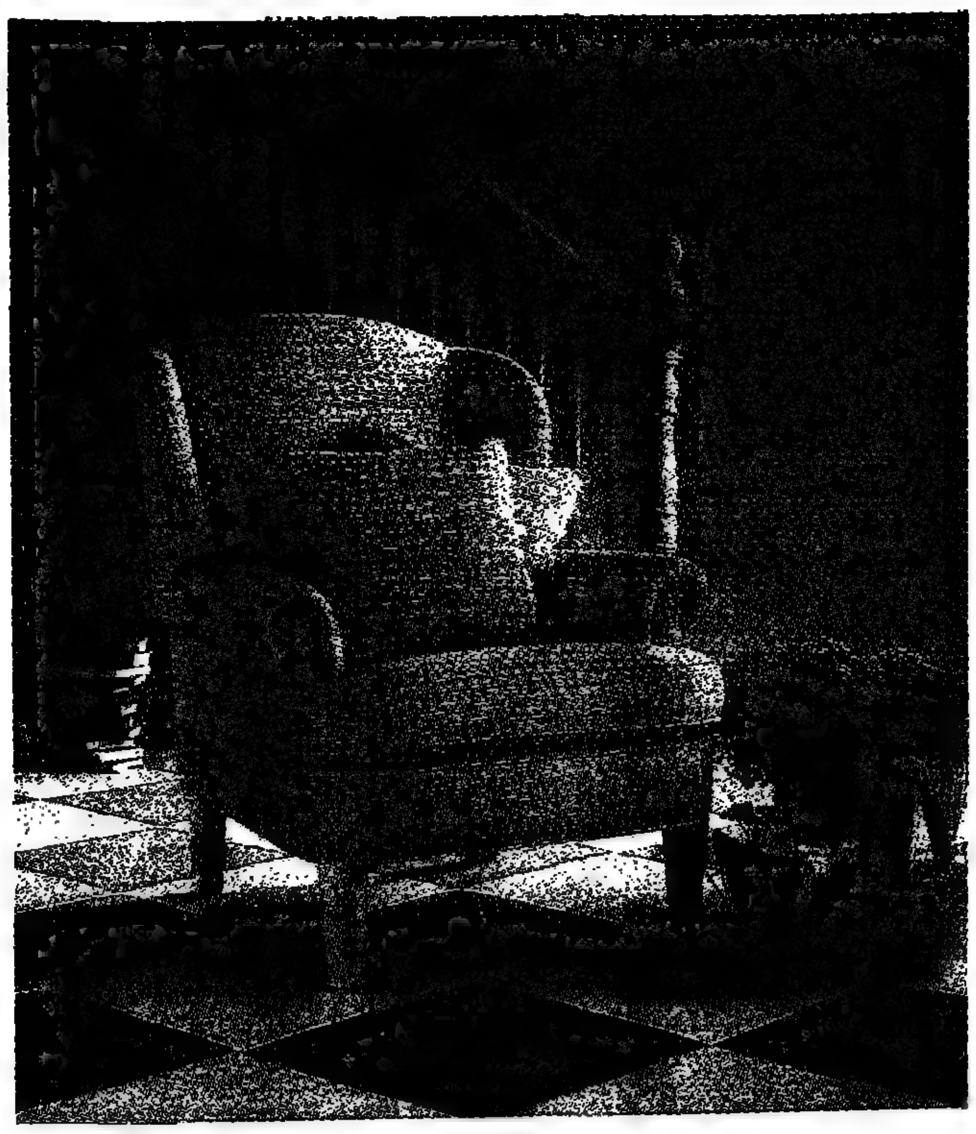
Lucille Lewin, whose Whistles shops are known for promoting young designers, loves the new narrow-shouldered silhouette. "It's easy to wear because it concentrates on the shoulders, which are often pretty, and camouflages difficult areas like hips and thighs."

Her choices are minimal and understated – Margiela, Demeulemeester, Marcel Marongiu's Nordic severity, Koji Tatsuno's "wonderful experiments with fabric," and Ghost's bias-cut layers in antique-looking fabrics. She is also clever at finding unknowns who get the look right at lower prices.

And what of the fashion journalist's view of next autumn? My own accolades would go to the recycled low-life look, flatteringly cut and made believable by Margiela, to Lacroix for taking a ragbag of old silk prints, heavy lace and tweed and making it look stunningly sexy and to Chanel and Montana for showing us new ways to wear old favourites, breathing new life into bright tweed jackets by way of a loose white shirt and longjohns, and into leggings with cavalier boots and a riding jacket. Even such established names have discovered that recycling is good for you.

Photographs: Niall McInerney

HOW TO SPEND IT



Hampton chair upholstered in Boston mini check, £450

Three cheers for chainstore chic

At last, Marks and Spencer's home furnishings venture is on the right line, says ***Lucia van der Post***

WELL, WELL, WELL – who would have thought it? Here we have a brand-new home furnishing catalogue from Marks and Spencer which is bold, colourful – and in tune with the times.

It is also slimmer and leaner than its predecessors and is all the better for it: no longer is it puffed out with dinky ornaments and dreadful pictures, or with the sort of superfluous accessories that few of us want and which add to nothing but the dusting-load.

You will not be surprised to learn that it offers no radical new direction. There is little that is innovative or challenging; no new aesthetic frontiers are being opened up. Trendy or avant-garde are not the words that the catalogue brings to mind.

But then, that never was what the famed UK retail chain set out to do. What it does offer is a pared down, edited selection of basics – what I once called "the furnishing equivalent of the polo shirt, the navy-blue sweater or the blazer" – in other words the sort of thing that most houses actually *need*.

There is a big selection of well-shaped sofas that could be covered in the currently popular blue and white, or in beige and cream check, or plain linen-like fabrics, or, if you really *must*, in Dralon. There is the splendidly capacious Hampton Chair (photographed here covered in Boston check).

There are 100 per cent cotton sheets and duvets in pretty stripes with matching plains. If you prefer your bedlinen in an "easy-care" cotton and polyester mix you get a bigger ranges of colours and patterns – from an exceedingly smart rich tartan to bold geometric prints.

There are pure cotton towels in a good range of colours and a series of pleated lampshades and uplighters in colours that tone with the linens and fabrics. Look out for the simple, clean-lined range of children's furniture – everything from a white-painted wardrobe and four-drawer chest to bunk beds and bookcases.

Look, too, for the range of furniture in cherrywood – the plainest and simplest of the designs seem to me the best. The sideboard which can be used on its own or topped with a glass-glazed cupboard is splendidly simple and sturdy, but at £1,998 for the two pieces (or £999 each) they cannot be said to be cheap.

All in all the new M and S catalogue seems to me a vast improvement on the earlier efforts. There still seems to be a taste gap between the innovative and sophisticated nature of its food and the furnishing products it sells but the dreadful air of decorous daintiness has mostly gone, although a little lingers on in some of the china and some of the floral fabrics and bedlinens, presumably to keep faith with those customers who have already embarked on that decorative road.

Abandoned, too, is the attempt to offer a total "concept" – in its place is a collection of basics which, though certainly not cheap, are well-made in sound materials, are unobtrusive and round which the customer can build a life-style of his or her own.

The catalogue costs £1 and everything in it can either be seen in the Home Furnishings sections of Marks and Spencer stores or ordered by telephoning 0925-851100. Delivery is free.

If you want to see what a really first-class designer can do with the basic Marks and Spencer range, hurry along to The Ideal Home Show, at London's Earls Court until April 12, where David Davies uses the bold blue and yellow theme with great panache.

■ If you are in the mood to give your house a face-lift and are looking for a floor-covering in the mood of the times, take a look at the flat woven woollen carpeting by Roger Oates Design Associates.

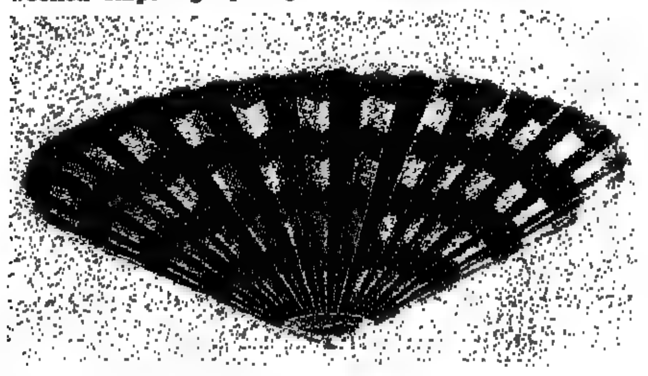
In sober plains, stripes or herringbones they provide a chic and subdued background to any furnishing scheme and would fit in wonderfully with the new mood for Shaker-style simplicity.

Though simple, the Roger Oates range is made from the finest wools so they are not as inexpensive as one might hope. The Venetian quality works out at £60 per linear metre (it comes as runners or as rugs).

If that is more than you can afford you should perhaps consider the latex-backed seagrass which is just £10.36 a square metre. It comes in a greeny-yellow colourway, has a roughish surface (so possibly not ideal where there are crawling babies or young children) and is a splendidly neutral background to almost any scheme.

For colour leaflets write to Roger Oates Design Associates, The Long Barn, Eastnor, Ledbury, Herefordshire HR8 1EL. If you want to visit the warehouse telephone 0531-632718 first.

Patchwork quilt, £99.95 single, £120 double, teamed with pure cotton bedlinen



Pleated uplighter, in several designs, £17.99

Crafts by post

IT IS NO secret that Britain has some of the liveliest, most original, most inventive crafts people in the world. A trawl round a good crafts fair reveals a mass of talent and a horde of infinitely desirable products. The problem is that most of them are produced in small workshops scattered all over the country and tracking them down is no easy matter.

Those who would rather buy a one-off hand-made piece than a mass-produced machine-made number might like to know about Handmade in Britain. Although it is primarily a mail-order business aimed at the wedding present market it is also a good source of original presents for any time.

It is the brainchild of Stephanie Latham and Rachel Pryor, whose main aim is to encourage present-givers to give some of the many beautiful and original objects that are made by hand instead of the more predictable and mundane products that are found in most shops up and down the country.

They currently have some 300 different suppliers on their lists and they can offer anything from a range of luggage to hand-thrown terracotta pots, hand-blown glass, hand-made ceramics and hand-turned wood. Photographed below are James Marston's beautifully turned vegetable or fruit bowls. Made in ash they cost £28.95 each. The rack is £12.

Because they hope to provide a real service to brides and bridegrooms putting together a wedding present list Latham and Pryor feel obliged to offer a limited selection of some of the more traditional and predictable objects that newly-weds might need (Prestige saucepans, for instance) as well as the sparkier, more original craft-made pieces.

Handmade in Britain is run from 14 Conlan Street, London W10 5AR which is not a shop but a showroom where samples of all the products can be seen. Because the company is not paying for an acre of Sloane Street they are able to include wrapping and delivery (within the inner confines of the M25) in the usual retail price. Outside the M25 delivery is charged at cost.

A brochure listing the products and the prices is being published this week and is available free on request.

LvdP

James Marston's 'Ark' vegetable rack and bowls

Wine / Jancis Robinson

Made strictly to order

YOU want a Spanish Sauvignon that tastes like a New Zealand one? A white wine made from claret grapes? A Muscadet from the *south* of France? A Moldovan Chardonnay? No problem.

New product development is not an activity commonly associated with wine. Until now, wine retailers have had to sell what comes out of the world's wineries, traditionally dictated by viticultural history, appellation laws, indigenous winemaking skills and the weather.

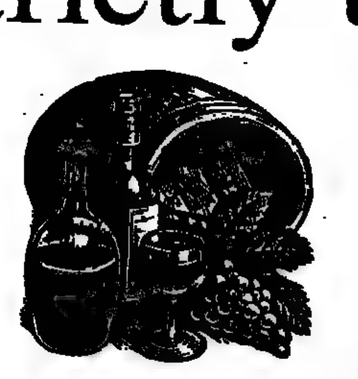
But in the *only sector of the wine* market where there is real activity at the moment, the £1.99 to £5.99 a bottle bracket, this has been changing rapidly. A handful of middlemen have been creating new lines expressly for Britain's supermarkets and dominant off-licence chains. The key is to take expertise to the winery, and dictate rather than await what is produced there.

This running up of special little wine numbers to order sounds quintessentially entrepreneurial, but no less a force than Allied Lyons took a serious interest two years ago, through its wine sourcing subsidiary International Wine Services. In a small office in Beaconsfield in the English Home Counties, the IWS staff regularly meets to pool observations from around the globe on what the wine buyer wants, and what specific wineries might be *cajoled* by an outside winemaker into producing (all of the above, for a start).

The formula works only in certain areas, ideally those with a good supply of relatively inexpensive grapes whose technical potential is yet to be realised. That cuts out all of the classic wine regions, as well as most of the New World, but it leaves vast tracts of southern France, Iberia, Italy, South Africa, South America and eastern Europe, all of which are currently being combed for suitable wineries by IWS and its competitors.

The obvious competitor *is* Hugh Ryman, son of former stationer Ryman, trained in Australia and now based in Bordeaux. He was not the *first* to harness the under-utilised skills of southern hemisphere winemakers for the European grape harvest, but he commercialised the Flying Winemaker concept into plaudits and vast orders from the likes of Whitbread's Thresher group and Majestic wine warehouses. New World winemaking techniques are applied to fruit grown in the south of France and eastern Europe to turn it into something the market, or at least Thresher's buying team, wants. He sells Britain a host of labels from Duras, Bergerac et al, and now he is making wines in Moldova for Australian wine company Penfolds.

The targeted wineries have to be of a certain sort too. They should ideally be technically well-equipped – installing a winemaker for two to four months costs very much less than installing plant – and willing to let a stranger, typically a young Australian stranger, tell their *staff* what to do.



This is probably the most significant limiting factor. As Guy Anderson, IWS's 30-year-old roving French specialist, admits: "Some of these wineries are run by people who have been making wine since before I was born". And IWS's latest recruit Kym Milne (ex-New Zealand via a *stint* for Hugh *Ryman*) found himself, prior to joining IWS, in the uncomfortable position of being installed in a winery where the management desperately wanted him but the staff were obstructive.

Indeed it is only the winery ownership which stands to gain directly from increased quality, and increased saleability, of itswines (which is why the formula works particularly well in co-operatives). But once an outside team is installed in a winery, the proportion of wine made by the outsider tends to increase with each vintage as the winery owners see the truckloads being shipped out to the likes of Waitrose and Safeway.

Perhaps the most obvious application of this new philosophy of shipping braincells rather than grapes is IWS's International Winemaker range for Tesco, all made by their most peripatetic oenologist Jacques Lurton but in places as dissimilar as Mendoza in Argentina, Rueda in Spain and Languedoc in France. It comes complete with his signature. So personalised is it that Tesco must be worried about him falling under a bus.

The number of air miles this unmarried 34-year-old product of Bordeaux via Australia has to notch up each year suggests it would have to be an airport transfer bus, but Tesco is surely right to worry. Lurton has made so many wines for IWS, let alone those he makes with his brother for European customers under the JFL label, he must be heading for burnout soon.

Scouting a new wine region from scratch can take months, but IWS is able to harness Allied's own tentacular international distribution network to save winery inspection time. All eyes east for 1993, but they know that, for volume, they depend more on refining the quality of familiar names than on constantly dishing up something new.

I tasted some of the new IWS lines that will appear in British stores next week and can recommend those in the box. They may taste more of Roseworthy, Australia's oenology school, than of peasants and passion but they are, presumably, just what we want.

SAUVIGNON RUEDA 1992. £3.99 Oddbins and Sainsbury. Pure gooseberry reek. You would never pick this aromatic dry white as Spanish.

VIOGNIER 1992. £5.49. Tesco. A particularly successful Vin de Pays d'Oc supplying the Condrieu experience at two-thirds the price.

DOMAINE DE BACHELLERY 1992. £3.69, Oddbins. A red Vin de Pays d'Oc made from Syrah and Merlot grapes given zip, life and a Drink Me ticket.

Cookery / Philippa Davenport

Cheat's roast

A BACHELOR friend told me recently that, when asked to dine in someone else's house, he always hoped to be served roast meat. The reason was that a roast is not something lone householders usually cook for themselves. Doing so smacks of extravagance and self-indulgence.

There is also the matter of leftovers. *Even half* a leg of lamb or a small chicken can mean days of repetitive cold meat meals, or having to devise palatable ways to rehash the remains.

The recipe which follows is a compromise solution. It is not, strictly speaking, a roast: it is a grill. But it offers many of the appealing features of a roast without the disadvantages. It is quick to cook; easy to carve into thick, neat slices (no awkward bones to frighten those inexperienced with a carving knife); and just the right size to provide two meals for one person (or one meal if you invite a friend).

The cut I have used is known variously as neck or neck fillet of lamb, which is the piece of meat that runs alongside the bones of the middle neck and scrag end. It is lean, juicy and flavoursome.

I have teamed the lamb here with aubergine, a well-known partnership in Mediterranean cooking. To make full use of the heat of the grill – which is needed for cooking the lamb – the aubergine also is grilled (rather than fried, the more usual practice). Grilling means the aubergine absorbs relatively little fat. It also means less washing up – just one pan instead of two.

The other short cut I suggest is omitting to salt the aubergine before cooking. Salting might be a tablet stone of culinary tradition

– something put down to the fact that aubergines contain bitter juices – but, in this recipe at least, the results are every bit as good without salt.

SIZZLED LAMB WITH AUBERGINE & HERBS
(serves 2)

Ingredients: ¾ lb neck fillet of lamb; 1 aubergine weighing about 9 oz; a few sprigs each of thyme (preferably lemon thyme) and oregano; a little lemon juice and a little extra virgin olive oil.

Method: Marinate the lamb for several hours or overnight in a generous tablespoon of lemon juice mixed with a scant tablespoon of olive oil, a good grinding of black pepper, and an aromatic scattering of chopped fresh herbs. Turn the meat once or twice so the flavourings penetrate it evenly.

When ready to cook, cut the aubergine into slices one-third to half an inch thick. Brush them lightly with olive oil and lay them on the grid of a grill pan round the lamb.

Pour the marinade over the meat and cook under a thoroughly pre-heated grill for 6-7 minutes, depending on the thickness of the lamb. Turn the meat and vegetables and grill for a further 6 minutes until the aubergine is hot, tender and gilded, and the meat is well-crusted and brown without and juicily pink within.

Let the lamb rest for 5 minutes before cutting it across into thick slices for serving. Spinach steamed until wilted goes well with this. So does basmati rice cooked in light stock with thyme and bay, and enriched with the meat juices.

Lydia van der Meer

Caring and sharing: the Mariners hotel and tearooms

Tried and trusted

Nicholas Lander visits an hotel that cares for staff and guests

THE COFFEE was poured professionally. Upstairs, the bedrooms were being cleaned and, in the kitchen, the chef and her assistants were preparing lunch.

A typical day in a small British hotel, you might think. But this one is very different, for the Mariners guest house in Rye, East Sussex, is run by the mentally handicapped.

It belongs to the Canterbury Oast Trust, a charity established in 1985 to care for those with autism, Down's syndrome or meningitis contracted in childhood. Today, it provides a home and professional care for more than 100 patients aged from 19-60, and has created work for 35 of those in two free-market industries – catering and tourism – which have generated over £350,000 income.

But the money is secondary to the aims set out by the trust's original executive director, Joe Graham. One is creating the sort of jobs that make the disabled feel they are doing something worthwhile. The *other* is offering a service that involves the public, so giving people the chance to re-evaluate their attitudes to the mentally handicapped.

In 1988, Graham saw the Mariners was for sale and realised it might provide the opportunity he was seeking. The site was right: the main street of a picturesque tourist town with commercial competition to give the venture an extra element of challenge.

Despite political opposition from local restaurateurs, he won over his trustees and bought the three-bedroom guesthouse for £285,000. It had been sold twice in the previous three years because it could not be made to pay.

Graham and the disabled staff made it an immediate success. On the third Saturday, the day's takings topped £200. Today, they are more than £500 each Saturday.

The Mariners is open seven days a week, 360 days a year, and the patients work two shifts: from 8.30am-2.30pm and noon-6pm. They get free board and lodging and about £50 a month spending money.

The length of the shifts is the biggest problem. Keeping the interest and enthusiasm of patients can be difficult and, because their attention span is so short, training takes place almost daily. But there has been enormous progress: several will soon be taking the first stage of the National Vocational Qualification examinations in catering studies.

In 1990, the trust decided to launch a much larger commercial venture and spent £565,000 on a nearby 90-acre farm which it converted into a centre for rare animal breeds as well as a residential home. The farm, including a 120-seat self-service restaurant and conference centre, created an extra 50 jobs for the disabled, secure homes for 26, and employment for 30 able-bodied staff in an area of high unemployment.

During the first six months, it attracted 62,000 visitors who spent £245,000. The farm won three championship medals at the 1992 *Royal* Show, which the patients attended, and eight of their prize-winning Berkshire pigs have been exported to Japan.

By last autumn, however, the trust had run into severe cash-flow difficulties. Income was declining with the onset of winter and donations were proving hard to get because of the recession. Several local firms, which had agreed to underwrite the conference centre in return for their names on the wall, had to withdraw.

The trust responded with a review which tightened financial and management controls. Graham left and was replaced by a new general manager and fund-raiser. But the housing will be finished by mid-April, with accommodation for 26 residents.

Like so many others in the British tourism industry, the trust is hoping for an end to the recession and a long, hot summer. This would ease its financial concerns and allow an increasing number of visitors to experience one of the most impressive examples of British catering.

■ *The Mariners hotel and tearooms, 15 High Street, Rye, East Sussex (tel: 0797-223 480) is owned by Canterbury Oast Trust, Highlands Farm, Woodchurch, Ashford, Kent (tel: 0233-861 493, fax 0233-861-457).*

Appetisers

Bordeaux's record

THE official figures for the 1992 Bordeaux vintage show that the red wine crop was 5.03m hectolitres – a record and twice the size of the frost-stricken 1991. The white wine harvest at 1.23m hl – was three times larger than the previous and the biggest since 1973. The quality of the superior appellation wines will be better known when the representative Union des Grands Crus tasting take place at the end of this month and the beginning of April. Early indications are that the reds are at least a fair average to good; and some dry whites were made. If the reds are to be sold in such large volume, opening prices must come down, but there will be little *en primeur* sale. Nevertheless, although many superior châteaux owners are short of cash, they may defer offering their wines on the market until they are in bottle and prices improve. *Edmund Penning-Rowsell*

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Three new restaurants have different approaches to publicity. The Nosh Brothers, Mick and Nick, originally caterers to the rock and roll world, now have a bar and restaurant at 773 Fulham Road, SW6 5HA (071-736-7311, open Tuesday-Saturday night and Sunday lunch). A tough, mean approach to food with smokers encouraged and vegetarians just tolerated.

In spite of an off-putting press release, the arrival of Richard Corrigan, formerly head chef at Mulligans of Cork Street, should breathe new life into Bentley's, 11-15 Swallow Street, London W1R 7HD (071-734-4756).

And finally to Mark Broadbent, a talented chef now at Twelve Sloane Square, SW1 8EG (071-730-1499) part of the Royal Court Hotel, reduced to writing his own press releases but a chef to be applauded for his initiative and his cooking. Set lunch £9.50, dinner £15.50 (two courses). *Nicholas Lander*

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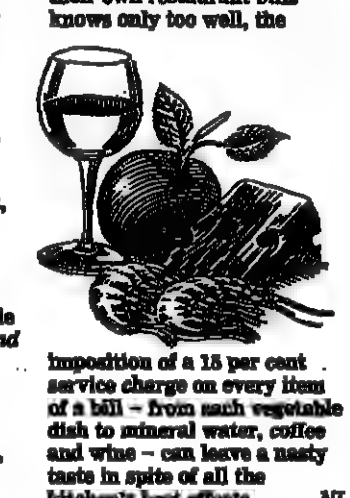
On a more disappointing note for restaurant goers, the Government has announced that it will not be introducing legislation to regulate the inclusion of the service charge on restaurant bills because it believes the industry should do the job itself.

Sadly, restaurateurs show little sign of wanting to do so. Corners are fought fiercely between those who believe that the price on the menu should be the price paid, as in most retail businesses, and those who believe that the words "discretionary" or "optional" alongside the service charge stimulates a waiter's performance.

But, as anyone who pays their own restaurant bills knows only too well, the



imposition of a 15 per cent service charge on every item of a bill – from each vegetable dish to mineral water, coffee and wine – can leave a nasty taste in spite of all the kitchen's best efforts. *NL*

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WHAT HOPE for the undoubted skills of the independent wine merchant now that the supermarkets are diving into mail order? Marks and Spencer has been dabbling for a while. Sainsbury has been trying it out in north-west England. And now Waitrose has bought Findlater, Mackie Todd, a long-established wine merchant whose chief asset was once the Dry Fly sherry label but is nowadays its mailing list. It will be some time before Waitrose will be delivering wine to doorsteps throughout the land. In the meantime, their Blaye Blanc at £2.99 is a particularly good buy for lovers of well-made dry white bordeaux. *JR*

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Chocaholics will be interested in Godiva's big egg, some 4 ft high, with a 34-inch "waist" and weighing 6 kilos. The egg is made of finest Belgian chocolate – with an outer dark crust, a thick filling of nougatine and an inner layer of milk chocolate. Generously filled, it costs £264. Will anyone buy it?

The company, has also launched two chocolate spreads and a range of jams and jellies. Spreads are a crunchy praline with hazelnuts or dark chocolate. It is nice served melted with a little butter and cream, over chocolate marquise.

Godiva's jams, jellies and marmalades are less sweet than most commercial varieties and packed full of whole fruits. Flavours include rose petal, bitter orange marmalade and passion fruit or redcurrant with raspberry gelee – delicious served with roast duck or baked ham.

Prices are from £2.95 to £3.95 for a 400g jar with an additional £1.75 for postage and packing. They are available from the two Godiva shops at 247 Regent Street, London W1 and 150 Fenchurch Street, London EC3 and other stockists. *Lucinda de la Rue*

In Buddha's footsteps

James Henderson wanders amid the ruins of a magnificent history in Sri Lanka's myriad religious and royal temples

THE ANIMALS of lore and legend have a fond place in a nation: unicorns, dragons and heraldic hounds, even a bear chained to a staff or a black charger. Their medieval heritage may be lost, but as symbols they are immortalised somehow.

In Sri Lanka the feeling is the same, but the animals are different – elephants, guardian cobras and magical demon monkeys. As we have put working beasts on to heraldic shields, so in Sri Lanka they are honoured on moonstones. Instead of the British bulldog, Sri Lanka has lions and tigers. The Tamils are well known as Tigers, but less widely known is that the majority of the country, the Singhalese, consider themselves the descendants of a lion.

These animals roam a riotously fertile tropical land: well-watered and immensely lush, parts of it seemingly primordial forest. But nature has been stamped with a human print that goes back thousands of years. Kings with unpronounceable names built magnificently, and their decaying memorials are visible everywhere. They glorified themselves with ancient cities and anchored their prosperity in vast irrigation tanks. As much as 3,000 acres in size, these vast lakes are an engineering wonder even now.

Many of the sights have a religious significance, for Buddhism has been the religion of Sri Lanka for more than 2,000 years. Most are ruins now, but there is still a reverential air about them. You walk barefoot, and place lotus flowers on the altars. The island is covered with rounded *dagobas* (like stupas), the vast white shrines of Buddhism, which stand like massive bell-jars in the jungle.

On my tour I was guided through the intricacies of the ruins and the names (first stop Anuradhapura) by Deepthi, a stout Singhal man. Later he sheepishly confided that Deepthi was in fact a girl's name, meaning "bright."

Anuradhapura dates from about 250 BC, and you will see dagobas, moonstones and statues of Buddha built by kings Dutugemunu and Devanampiya Tissa. The city is a spiritual centre and once was home to 5,000 monks. Somehow I was expecting the ancient sights to be surrounded by the teeming humanity of an eastern city, but in fact they stand in sparse, open land, just silence and ruins.

It is difficult, mentally, to envisage much human activity, but the adornments give life to the place. Three hundred elephants stand shoulder to shoulder around the Ruvanvelisaya dagoba, and among the stone carvings at the Isurumuniya temple are *bas reliefs* of elephants playing in a pond.

One of the island's most sacred Buddhist temples is here, built around a 2,000-year-old tree (supposedly grown from a cutting from the tree under which Buddha attained enlightenment).

Moonstones are semi-circular doorway stones, carved meticulously, depicting human progression through life – a sort of philosophical doormat. Elephants link trunks and tails to symbolise birth; horses, lions and bulls chase one another in old age, sickness and death. Geese, unopened lotus flowers in their beaks, stride the semi-circle of time, unenlightened.

I found that I kept seeing the same faces as I progressed around the sights – a bumptious French trio kept breaking the calm: she, her boyfriend and brother, I guessed. The two of them were teasing her mercilessly.

Driving through the Sri Lankan jungle, huge deep-red rocks loomed out of the canopy. Fancifully, Deepthi compared them to reclining horses and lions waiting to pounce.

Legend has it that one rock, almost a mountain, was brought from Nepal by a demon monkey. He was sent to collect a medicinal plant, but forgot which one, so he brought the whole mountainside to be sure.

We came to Sigiriya, the Lion Rock, which stands vast and alone. The name makes it sound a bit like a stomach complaint, but it is an impressive 600ft lump of granite, developed 1,500 years ago as a defensive bastion and penthouse.

At one time it was entirely covered in sky-blue plaster. Only a tiny patch remains, painted with cloud maidens. Close by a wall, plastered with a mix of egg 1,000 years ago, is inscribed with 2,000 poems – commissioned graffiti complementing the beauty of the local girls.

The climb to the top is worth the effort. Through smaller attendant rocks, the size of three-storey buildings, you climb to a platform, where a curious iron cage is a refuge point against a swarm of attack wasps that occasionally puts in an appearance.

The final ascent is made between sculpted lion's paws and into its throat, and then by way of a rickety iron stairway as steep as the stairs to a fifth-floor London flat. On the four-acre summit, the throne room, dance chamber and baths can be traced by their brick foundations. Around me a strange French version of hide-and-seek was unfolding, with screams and shouts.

Standing on the summit, snatches of clouds move slowly past you, rolling gently as they ride the late afternoon wind and occasionally snagging on the clifftop.

Beneath, amid the jungle, you can trace the outlines of Asia's oldest pleasure gardens – promenades, lakes and fountains that still work after 1,500 years. The gardens were protected by a 60ft moat of crocodiles and then a rampart of scorpions.

Two hours away, another large and ruined Sri Lankan city is Pollonoruwa, royal seat of Parakramabahu and Vijayabahu, which dates from 1,000 AD. Set on the shore of a massive tank are ruined palaces, lotus-shaped baths, statues of Buddha and ancient temples defended by sculpted dragons and cobras with open hoods. At the council chamber, swans were symbolic of purity.

Wandering through what was once a seven-storey, 1,000-room palace, large enough for a suite for each of 300 wives, I noticed two figures lurking in alcoves. A few yards behind me was a French girl, oblivious, about to be ambushed.

It is forbidden to feed the macague monkeys which roam around Pollonoruwa. Scientists are trying to isolate something in their diet which seems to stop them developing cancer. Perhaps, remarked Deepthi absently, as he chased one away from his car, there is something anti-carcinogenic about rubber windscreen seals.

In the declining sun we came to the finest statues of Buddha, at Gal Vihara. He appears in four positions: meditating, preaching, satisfaction and then dying (about to gain Nirvana). I stared, weary after a long day of sight-seeing, but it is serene and absorbing. Suddenly the calm was interrupted by a commotion of mock-hysterical shrieks. The French lads had run off with her shoes.

Driving south to Kandy we left the jungle and climbed into the hills. Across the road snakes slithered, heads held high, and squirrels scampered, their tails involuntarily vertical. On the power cables hung the odd fruit bat, frazzled after mistaking them for telephone wires. Cattle, which are sacred to the Hindu Tamils, seem to be immune to trouble. They keep warm on the tarmac or wander willy-nilly through the traffic.

Kandy is a relatively recent Sri Lankan capital, a stronghold until it was finally tamed by the British in 1815. The Temple of the Tooth is supposed to contain a tooth of Buddha and is one of the most sacred places in the country.

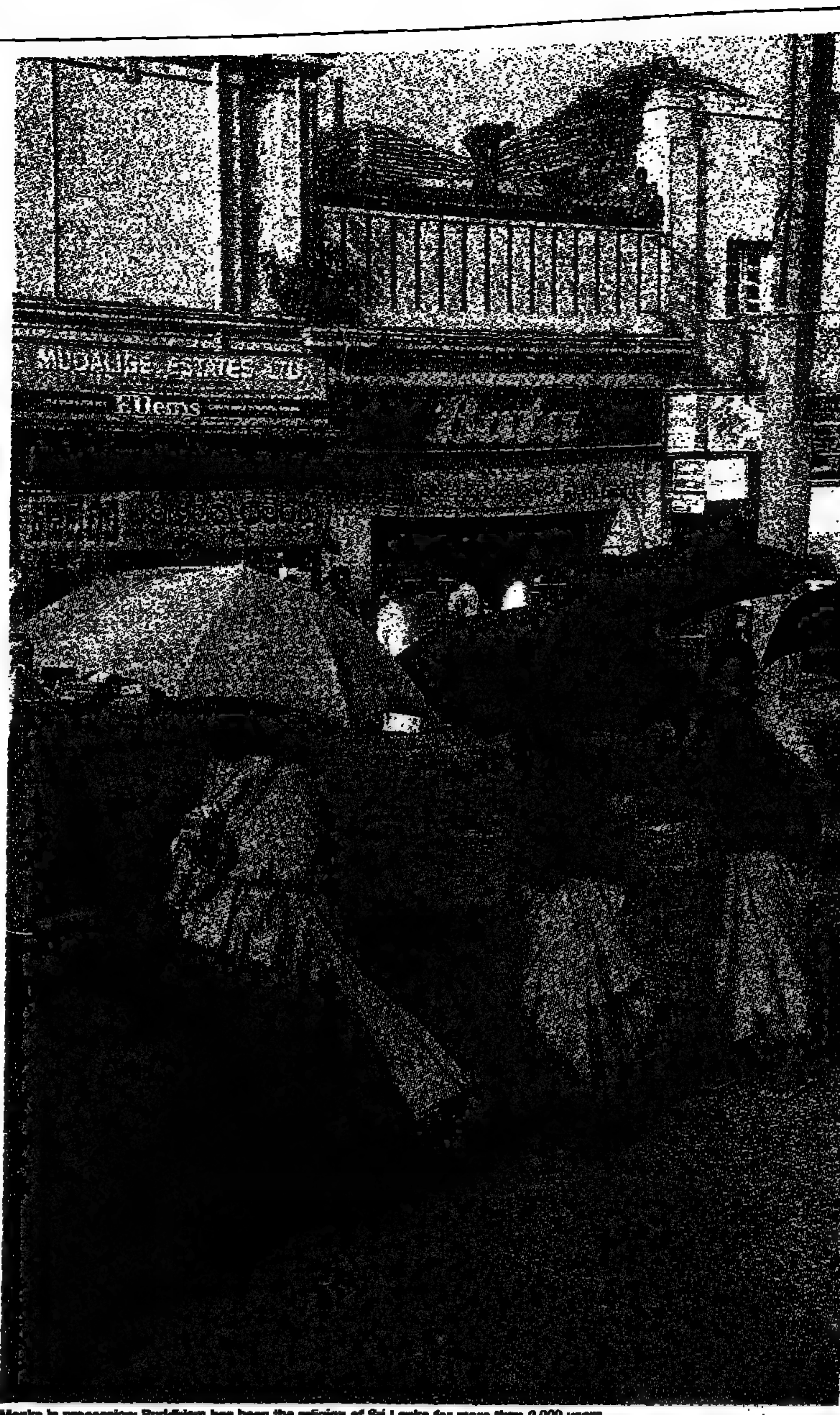
Suddenly, after the mute ruins, here was living Buddhism. Inside I could hear deafening drumming, wailing pipe music and crowds shuffling by the altars, leaving vast stacks of lotus leaves. Monks in orange robes walked by, shaded with palm fronds by their acolytes.

Most Sri Lankan *dagobas* are solid (one, supposedly, has enough bricks to build a 3ft wall from London to Edinburgh), but in Kalutara, south of Colombo, you will find one that is hollow, built over another smaller shrine.

Inside, it is a vast whispering gallery. Every slap of a bare foot and quietly-spoken prayer is echoed and re-echoed in a never-ending stream of shuffling and whispers. Like any great religious building, it is an awe-inspiring experience. Only when I left did I notice that there were no French shrieks to break the calm.

Outside I came across the only animal I saw being treated sternly in 10 days: a cow caught helping herself to mouthfuls of lotus flowers at an unattended stall.

■ James Henderson flew to Sri Lanka with Air Lanka as a guest of travel operator Hayes and Jarvis (tel: 081-748-5050). H&J prices for 14 days in Sri Lanka (seven days staying put, plus seven touring) start at £599.



Monks in procession: Buddhism has been the religion of Sri Lanka for more than 2,000 years

TRAVEL

Charmed by Australia's sweet dreamtime

Michael J Woods joins the swagmen in the wild and mystical Flinders Ranges

THE SOUTHERN Cross hung between two gum trees just above my feet and appeared so close that it looked more like part of a seafront illumination than a distant constellation of stars. The feathery tops of the gums waved darkly against the lighter sky but the skin-like bark of their trunks gleamed silvery in the moonlight.

Bats fluttered overhead but there was no other sound along the dry bed of Arkaba creek bed where I was swagging – sleeping under the stars in my swag, a sleeping bag, pillow and mattress on a sheet of thick canvas. Rolled up, the swag is the bushman's suitcase, indeed his home, and all his possessions are packed inside and tightly strapped to keep out the dust.

Creek beds can be dangerous places. A flash flood will bring a wall of water several feet high and carrying great logs and other debris thundering down the water course. In January and February, though, the Flinders are very hot and dry, so the danger comes from fire, not water. At this, the quiet time of year, cooking fires are forbidden. Although a camp without a fire is a featureless place the lack of other visitors more than made up for it, for even in the national parks we hardly saw a soul.

The Flinders Ranges, a series of parallel rocky mountain ridges, lie to the north of Adelaide, in South Australia, starting just below Wilmington and running up to Arkaroola, becoming drier and more rugged as they go. About halfway up is Wilpena Pound, South Australia's equivalent – for stunning scenery – to Ayers Rock, in the Northern Territory, and located in the 200,000-acre Flinders Ranges National Park.

The Pound is remarkable – an enormous oval bowl surrounded by a high sandstone ridge, precipitous on the outside but sloping gently down to a level floor on the inside. The wall of rock is pierced in only one place, by Wilpena Creek. When rainfall is high, the pound acts as a funnel. The amount of water that hurtles down the creek is enormous, as the tumbled heaps of great tree trunks confirmed.

We walked into the bowl and climbed the side past a deserted settlement where a farmer once struggled to survive by growing wheat and raising stock. He was forced to abandon the attempt. Part way up the rocky path, at Wangara Lookout, we stopped. With the magnificent expanse of Wilpena Pound spread below us, Cliff Coulthard, our Aboriginal guide, whose tribal lands cover this area, shared with us the dreaming of his people, which explains the formation of the northern ranges and the pound.

In a nutshell, two giant serpents, male and female, trapped and ate 600 of his people who were gathered to carry out initiation rites. In surrounding them, the snakes' bodies shifted the Earth's surface to form the walls of the pound, which finally came to rest with the female's head raised as the highest point, St Mary's Peak, and the male's head lowered, creating Arkaroo Rock.

Sitting in the evening sunshine, with the emptiness of the bush around us, it was not difficult to imagine the two huge snakes slithering round the pound and looking over the rim at their captives.

These were not the only victims claimed by the pound. In more recent years a local child was lost here and, in spite of intensive searches, only discovered two years later after fire had cleared part of the area. His bones, and the pathetic remains of his shirt tied vainly to a stick, were all that were left. Fred Teague, a man of many parts and the coroner at the time, told us the story when we stopped for a "yack" (natter) at his Mobil garage in Hawker.

In his adjoining shop Fred keeps a small but worthwhile collection of rocks, illustrating the geology of the area, and of Aboriginal artefacts and those of the white settlers who followed. At 80 Fred is a mine of information and has done much to preserve the local Aboriginal rock art, which is particularly rich.

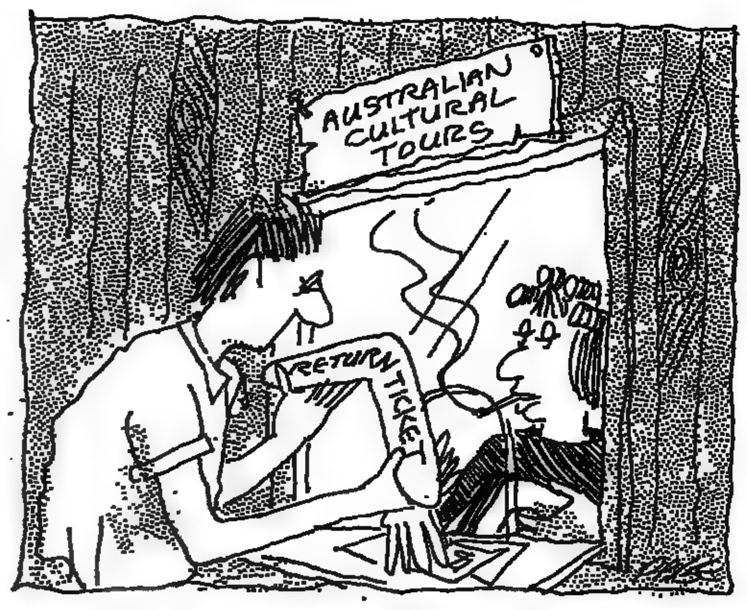
The most dramatic is in a small cave at Arkaroo Rock to which we climbed in the cool of an early morning. Cliff explained the symbols drawn by ancient fingers in charcoal and red, yellow and white ochre mixed with emu fat to preserve them.

The whole of the Flinders area has a distinctively harsh beauty, dry and rocky with pale yellow grass and scattered trees, native pines and eucalypts in various shades of green. The outcropping rocks give frowns to the rounded buff hillocks while the outer ramparts of the pound appear towering and precipitous. Occasional gorges, such as Bunyeroo, contain gently running streams which are a welcome contrast to the aridity of the surrounding land. The sparkling water and the thriving gums which grow there make these gorges attractive places in which to linger.

During the uncomfortably hot time of the day the wildlife sensibly remains in the shade of trees and rocks. Grey kangaroos sit in the semi-gloom and emus flounce off at a reluctant long-limbed trot if disturbed from water, their beaks partly open for the heat, the delicate feathers on their backs bouncing airily at every step.

Morning and evening brought more activity – a pair of kangaroos boxing in silhouette against the falling sun; a wedge-tailed eagle perched at the top of Sliding Rock; bats hunting insects in the company of swallows as the night shift took over from the day. A fox crossed the road in front of us. Although the same size as British foxes, it looked much too small and vulnerable to survive in this uncompromising land.

■ Cultural tours, such as Mick Irwin's Beyond Tours (1 Pony Ridge Road, Belair, South Australia 5052, tel: 08-278-1264), with whom Michael Woods travelled to the Flinders Ranges, are comparatively new and enable clients to experience Outback life and obtain a much clearer appreciation of Aboriginal lifestyles than was formerly possible.



Bedazzled, but not bored, by Buggala

***Nicholas Woodsworth** drops out of the 20th century on a supremely somnolent island in Lake Victoria*

AS A RULE, tax assessors are calm, collected men who keep their emotions, when they have any, well buttoned. So when I met three of them waving their arms and hopping up and down on the little stone jetty at Luku, wild to get away in the leaky fishing canoe I had just arrived on, I imagined the worst.

They were dishevelled. They had twigs in their hair. There was a desperate look to their eyes. What in God's name, I wondered, could this island be, to turn hard-nosed tax men into these pathetic, anxious creatures? They were falling over each other to get into the fishy-smelling canoe. Were there hostile tax-payers hot on their heels? Swarms of African killer bees? Cannibals? No, it was none of these things. It was boredom.

"We have been stranded at this jetty for three days", said Innocent, the senior taxman. "We have slept in mud huts, and sat in the grass, and waited and waited for a boat to get us out of here." His black, heavy-framed glasses, usually a successful prop in the presentation of fiscal gravitas, sat skewed to one side of his nose. I wished my own tax assessor amused me as much.

"This is a horrible island. There is no electricity, no plumbing, no transport, no news, no civilisation. There is nothing here – just forest, and primitive villagers, and monkeys who steal crops. Nothing!" Innocent was venting 72 hours' worth of indignation. "How can we do our job? This place has been cut off from the world for 20 years. It is hard to get on the island, hard to get off, and nobody has any money anyway. We are going home."

The small Yamaha motor on the canoe buzzed into life. "If I were you I would return with us", Innocent shouted as the little boat turned from the jetty and pointed its bows to the distant mainland. I thought about it for a moment. Life on Buggala Island in Lake Victoria may be disagreeable to the modern, bureaucratic frame of mind, but to me it sounded just the ticket. There are not many places left these days, even in Africa, where you can escape it all. I decided to stay.

Innocent was right. Luku is a tough place to get out of. On the other side of the island, across 24 miles of thick tropical forest, was Kalangala, the island's main village, and the Malaanga Ssese Lodge, my destination. But there appeared to be no way to get there. Like Innocent and his colleagues, I sat in the grass, watched the birds of late afternoon being replaced by the bats of early evening, and wondered what to do.

Rescue came in the form of a red Honda motorcycle with an empty tank. "I have transport but no petrol money", said Andrew, a young man who eventually ambled out of one of Luku's mud huts. "You have petrol money but no transport. We shall help each other."

In no time a jerry-can was produced, and for an exorbitant sum I purchased two litres of petrol. There was change due but a shortage of coins. I was given a large bunch of bananas instead. With me, my rucksack and my bananas perched precariously on the back of the Honda, Andrew roared off into the forest. Such is the waywardness of travel off the beaten path in Africa.

> *There are not many places where you can escape from it all . . . so I decided to stay*

The Ssese Islands are as spectacular as they are whimsical and out of the way. The road, a track of rich red tropical dirt, meandered up into hills covered with virgin forest. Smooth-barked tropical hardwoods vaulted upwards into the dusk. Occasionally we would stop in a grassy clearing so I could adjust my bananas and look out over the hills.

Below, beyond the reed-lined edges of Buggala, scores of other green islands seemed to float on the windless and glassy water of Lake Victoria. Nearby, the last of the day's butterflies flitted over feathery heads of grass. With the motor off, I could hear the sounds of the forest – birds hooting, the cheeching of monkeys high in the trees. There was a new coolness in the humid air. Beside the road, the bright reds and yellows of tropical flowers jumped out from the twilight. It may not have pleased Innocent, but it pleased me.

By the time we arrived at the lodge, Kalangala, high in a hillside forest, was in pitch dark. The tax men had been right again: there was not a hint of electricity anywhere. From the open doors and windows of houses by the roadside came the flickering warm light of kerosene lamps; from the trees and vegetable plots and clearings around them came the colder, steadier, phosphorescent glow of a thousand fireflies. It was like motorbiking through a constellation of stars.

After days of hard overland travel through central Africa, I was grimy, bug-bitten and weary. I had eaten too many boiled yams. I had stood too often under dribbling showers of cold rust-red water. I had slept in too many unchanged bedsheets. I had had African hotels. There was no reason why things should be any different here. But I had not reckoned with P.T. Andronico, hotel proprietor extraordinaire.

"Welcome, brother!" Andronico stood on the steps of his tin-roofed, flower-festooned house with open arms. A great laugh resonated from his slight frame. Within seconds I was installed in a small, simple and immaculately-kept room. Within minutes, a tub of clear rain water had been drawn and heated and in a little cubicle lit by wavering lamp flame and open to the night sky and stars, I was sloshing my travel fatigue away. Half-an-hour later I was sipping banana wine and feasting on roast pork and pineapple.

Sated and sighing, I took the time to look around. P.T. Andronico is proud of himself, and proud of his lodge. It was all rather dotty, like finding oneself in the middle of a vigorous and colour-mad naif painting.

Scattered about the porch, amid a dozen burning lamps, were plants and flowers in paint pots and tubs, each container labelled "plant", or "flower". On window sills and walls and doors, in large letters, were other inscriptions: "Truth and Justice", "Love", "Honesty". There is no conscious colour scheme to Andronico's lodge; its blues, yellows, greens and pinks are as unruly and wildly put together as the profusion of tropical flowers that grows around it.

What, I asked Andronico, was the meaning of the letters "P T A" painted on every surface?

The dark face under the silvering hair lit up, the smile widened. "'A' is for Andronico. We all have Christian names on the Ssese Islands. I was educated here by Catholic missionaries, the White Fathers. 'T', my good brother, is for teacher; for 33 years I was headmaster of the island primary school. And 'P' is the best of all. Oh, yes. It stands for pilgrim. In 1975 my brother Afridisio and I flew to Rome with the Ugandan Church. We drank red wine, we looked at the city from the top of St Peter's, we met the Pope. I kissed his hand. It was a wonderful time." The smile became wider and prouder. The P T A inscriptions Andronico has placed all over his lodge are not marks of ownership, but robust, joyful statements of existence.

Existence is a precious thing in Uganda these days, and Ssese islanders, 16,000 of them scattered over 84 islands, enjoy a more reassuring measure of it than most. Twenty years ago Idi Amin came to power and embarked on a rule of terror. Normal life came to a halt, and the Ssese Islands, far out in the waters of the world's second biggest lake, were simply forgotten.

Other tyrants followed Amin, a succession of armies ravaged and destroyed the country, and year after year nobody moved on or off the islands. It was too dangerous. But if islanders had to make do without the conveniences of modern life, they were grateful to be spared its murderous inconveniences as well.

Today peace has returned to Uganda, and with it the first trickles of tourism, but the country is bankrupt and there is no money to modernize the Sseses. There are just six cars on Buggala, all belonging to government agencies. There are telephones, too, but not many: the lodge's number is 26. Andronico has a television, but every time the car battery that powers it runs down it has to be lugged to the mainland. Cut adrift from the 20th century, the Sseses have slipped through civilisation's net. They now drift serenely on the warm, equatorial waters of Lake Victoria, oblivious of time, place or the changing world outside.

The days went by. Innocent may have been bored on the Sseses, but I found plenty of things to do. I went fishing in dug-out canoes for the monstrous Nile perch that inhabit the lake. I walked, feeling much reduced in size, on trails across the forest floor 150 feet below a dark green canopy of branches. With Andronico energetically cycling ahead, showing few of his 66 years, I pedalled around the island on an ancient bicycle, visiting his aunt, his children, his countless friends. Everyone knows Andronico, he has taught them all.

Most of all, though, I enjoyed simply sitting on the front porch, a glass of banana wine close at hand, watching peaceful Ssese life go by: bright yellow weaver birds hopping in and out of their globe-shaped, hanging nests; barefoot school-children skipping home to neat little thatched houses fronted by mango trees and coffee bushes; red tethered cows grazing by the roadside; old men walking from a shop with a sack of salt or a bag of vegetables balanced on their heads.

I enjoyed it all the more because I know it will not last for ever. Sooner or later, civilisation will come to the Bali of Africa. There will be electricity, modern hotels, more people like me, less people like Andronico. One day, Innocent and his minions will be happy to return to Ssese.

■ **Nicholas Woodsworth travelled to Uganda c/o British Airways, which flies to Kampala twice a week and offers an Apex return fare of £788 and full economy fare of £1,990. Fuel, spare parts and personnel permitting, there are three nine-hour long ferry sailings from Kampala to Buggala island each week.**

Golf/John Hopkins

Shots in the dark on night of the long drives

WHAT WERE you doing just before midnight on Tuesday, March 9? Perhaps you have no idea; or perhaps you have and would rather I had not asked. So, instead, I will tell you what I was doing. As the witching hour approached, I was concluding a tryst with La Dama de Noche in Marbella, Spain. Purely in the cause of research, you understand.

You do not need to be fluent in Spanish to work out that La Dama de Noche means Lady of the Night. This particular Lady of the Night is a nine-hole floodlit golf course – the first of its type in Europe.

The idea for floodlit golf came to Herman Sauer, a Dane who owns the nearby Los Naranjos course, about five years ago. In short order, he leased land from the town hall, laid out the course, erected the massive lights and opened the pay-as-you-play layout last year.

Obvious questions arise:

- No, you do not use luminous balls. Yellow are all right but white are better.
- Yes, you can hit the ball out of sight – but then, many golfers, Jack Nicklaus included, cannot see the flight of their ball in broad daylight. You do lose more balls at night – at least, I did, perhaps because I did not know the course.
- Yes, it is odd playing under artificial light. Make no mistake: La Dama de Noche is not a pitch and putt course, nor a crazy golf course at a seaside resort. It is 2,728 metres (2,978 yards) long from the back tees and has two par threes, two par fives – one of 500 metres (546 yards) – and five par fours.

This dame, even by night and lit skilfully, is no oil painting. She is narrow, bisected by the dry bed of the Rio Verde, and has an odd parcel of land at the far end, accessible only by walking under a road. But just as the shrub from which the course gets its name opens its flowers at night and sends out perfume, so the course is at its best when darkness falls. Then, its nine holes and rather sweet hexagonal clubhouse are bathed in a sort of eerie, incandescent glow.

I teed-off at 9.45. To my left, the frogs were croaking furiously in a large pond. Figures moved mysteriously through the semi-darkness ahead and water sprinklers spun dizzily on adjoining holes, sending out hissing plumes of spray.

From the first tee shot, it became clear that visibility was limited. You could see the ball easily for the first 50 yards or so – it soared away from the club looking like tracer fire. Then, it disappeared.

On the first green, I was looking directly at a set of floodlights as I lined up the putt and was dazzled, much as I might be by the sun during the day. Leaves which lay on the greens and fairways glistened in the false light and, from a distance, looked like balls.

The shadows on the green made it surprisingly difficult to spot the ball. On the short fourth, it worked in my favour, though. I hit a skinny six-iron across the water and listened carefully for a telltale plop. Silence. I was on dry land: that much I knew.

I looked to the bunker and stood at the water's edge, peering into the murk. Nothing. I walked to the right of the green and to the left. Still nothing. Better check the flagstick, I thought; and there was my ball – close to the flag yet hidden among the shadows.

Distances were hard to judge in the artificial light and, because the grass was so wet, there was no run on the ball, which made the course quite long. I managed to cope with these peculiarities. What was more difficult was playing a ball that lay in partial shadow. Because I could not see it clearly, my brain sent nervous messages to my arms. I did not swing confidently and the result was often a half-hit stroke.

The only serious mistake I made was on the eighth. I played to the wrong green. But since this was the only hole on the course with two greens (you play the 17th on your second circuit), my mistake was understandable; the 17th was directly ahead of me whereas the eighth was at 90 degrees to the fairway.

At 11.40, accompanied by a frog chorus, I holed out on the ninth green beneath the gleam of a full moon. As I walked to the clubhouse, a party of 28 cheerful Swedes, their dalliance with the Dame over, were tucking in to their dinner.

No one has yet played through the night, although the possibilities for endless rounds of golf are obvious. The latest finishing time recorded is 3 am.

Was it worth it? While it bore little comparison to nine holes at any of the famous courses nearby, such as Las Brisas and Aloha, it had been an unusual test of golf – and much more fun than doing the washing-up. I drove home beneath a starlit, velvet sky, singing.

Boat Race/Phillip Halliday

Cambridge fight to turn the Dark Blue tide

Heavy favourites: the Oxford University eight training on the Thames

ONLY a brave person would predict victory for Cambridge in today's varsity boat race on the Thames for the Beefeater Trophy. Oxford have won the past six and have lost only once since 1976. It seems that no matter what the Light Blues do, they cannot break their losing sequence.

Last year, for example, should have been Cambridge's year. Oxford's training had been affected by the death of John Hebbes, a squad member, and the crew looked vulnerable. But they excelled, held Cambridge on the outside of the long Surrey bend and won by 4¼ lengths.

This year, Oxford have suffered some pre-race wobbles. A week beforehand they dropped Gordon Buxton, the cox, and replaced him with Samantha Bentham. Dropping the pilot this close to the big event smacks of panic. But the coaching team, led by Steve Royle, said Buxton had found the pressure hard to handle and was no longer bringing the best out of the crew. Buxton disagreed and claimed he had been made the scapegoat for one or two poor performances by the Oxford eight.

Not too much should be read into the late change. Oxford have one of their strongest crews. It includes two gold medallists at the Barcelona Olympics – Matthew Pinsent, who won the coxless pair with Steve Redgrave, and Bruce Robertson, who rowed in the Canadian eight – and a host of other international oarsmen.

The Dark Blues also have a strong coaching team. Royle has been part of it for every race but one since 1976, and has been director of Oxford rowing since 1987. The other coaches include Mike Spracklen, who coached the Canadian men's eight in Barcelona; Pat Sweeney, who coxed and coached Redgrave and Andy Holmes to Olympic gold in Seoul; and Jürgen Gröbler, the former East German national coach now in charge of the British team.

Cambridge also have their Olympians. Malcolm Baker and Richard Phelps rowed in the Barcelona eights final; Baker for the US, Phelps for Britain. The rest of the crew are all world championship or Henley medal-winners.

The Light Blue coaching team centres on John Wilson, a former Oxford coach, and Sean Bowden (both based at Nottingham, an area noted for the strength of its lightweight rowing); and Vladimar Bachev. Cambridge are using a Harry Mahon, a New Zealander who is Swiss national coach, as finishing coach – someone who takes over for the last two weeks to bring crews to their peak.

The phlegmatic Spracklen is Oxford's finishing coach. He is considered the best men's eights coach in the world and takes control of the US national squad next month. He has a reputation for adding missing ingredients and has smoothed out the often rough but powerful Oxford crews.

In the past week, he has improved Oxford's timing. On Thursday, when both boats practised their starts, Oxford were quicker. This is important, because the lighter Cambridge crew need to steal an edge before the Oxford engine room develops momentum.

Mahon has monitored Cambridge closely through the winter and, unlike Spracklen, did not come cold to his task. His first act was to break with tradition and take Cambridge away from the Thames tideway to train in Nottingham for the penultimate week. This was seen by some as running from the enemy. On the other hand, it shielded Cambridge from the media (which Cambridge suspect is biased towards Oxford) and from exposure to the Oxford camp, which has sometimes unnerved Cambridge.

Both crews have raced well recently. Cambridge defeated a strong Molesey crew by 28 seconds over the boat race course to Harrods at the end of February. On the same day Oxford won the Reading University head race, beating last year's winner, Imperial College.

On Monday, Oxford defeated Isis, their reserve eight, in two three-minute races with Bentham stealing half a length with some aggressive steering. The pressure will be on her today as the coxes fight for the best water over the first mile.

The shape of the oars will add spice to the race. Cambridge are dedicated to the new hatchet-shaped blades and will use them whatever the conditions.

Some oarsmen say these blades are rowing's holy grail, making boats move considerably faster. Others have discarded them. Oxford have been training with the traditional macon blades but have tried the hatchet in the past couple of days and will wait to see conditions today before deciding – critics say the blades are poor in rough weather. Bowden says the hatchets *can* make crews faster if used consistently in training, but adds: "If Oxford think they can just use hatchets on the day, they are making a big mistake."

Soccer

A question of value for Lineker the logo

Chris Matyszczyk on the rules of the game played on a sales pitch

HAS Gary Lineker read Francis Fukuyama? In *The End of History and the Last Man*, Fukuyama celebrated the victory of liberal democracy over other forms of government. He added, though: "The decline of community life suggests that, in the future, we risk becoming secure and self-absorbed last men; devoid of thymotic striving for higher goals in our pursuit of private comforts." [Thymos is Fukuyama's word for the spirited part of the soul].

This, then, is the question for England's nicest last man. Has he given up the pursuit of higher goals in favour of a feather-bed of yen?

If the visit to Singapore last week of Lineker's Nagoya Grampus Eight team is anything to go by, the problem is not that Lineker has sold out for a less demanding soccer life. Of course, he has. What is more worrying is that he does not appear primarily to be a footballer at all. He is an advertising logo: a Ronald McDonald for Toyota.

No one should be surprised that all the media attention in Singapore was on Lineker's tanned, if tired, looks. He handles the microphone and the notebook effortlessly. He is patient, courteous, pleasant. But so is Ronald McDonald. And when Ronald has to shoot a commercial, he has plenty of takes to get it right, plenty of breaks in filming, plenty of opportunity to fix his lipstick.

What Lineker learnt in Singapore was that the commercial in which he is appearing is on the field of play.

He might have thought he had done his bit for Toyota with his media performance. But to maximise its investment (officially to guide and protect), the company has assigned Lineker a minder who refuses to leave his side. In Singapore, Lineker begged a local journalist: "I can't get this bloke off my back. Is there anywhere we can slip out after the game for a quiet drink?"

There was. Tentative arrangements were made. The game destroyed them. Lineker struggled. Within 20 minutes, he was limping. He had warned that he had a thigh injury. By half-time, he had touched the ball perhaps half a dozen times (although, of course, he got a cheer every time he did).

Twenty minutes into the second half, he had managed to score from a penalty but was in distress, signalling to the bench for a substitution. The bench, consisting of an extremely corporate-looking manager and a young, timid coach, ignored him. You cannot remove the logo from a commercial. And there were more than 35,000 potential Toyota buyers out there.

Lineker then removed himself to the touch-line nearest the bench. That did not work. In the end, he stood for fully three minutes ignoring his supporting cast, glaring at the coach, remonstrating, pointing to his thigh and stretching out his arms in unbelieving supplication. The management relented with 10 minutes to go.

"I was injured and I could hardly breathe. But they wouldn't take me off," said Lineker, angrily. He even ignored supporters' requests for autographs. Very un-Gary.

Before the game, which Nagoya lost 4-3, I asked him if he thought footballers would become like golfers and tennis players – rarely needing actually to win but making a fat living by artfully dodging money from corporate coffers.

"Not at all," he said. "I think 98 per cent of players are not paid a lot of money. In no way are they in a position to be secure when they retire."

What is a lot of money?

"Well, that depends on your life style ... my house in St John's Wood [London] cost a lot of money. But then, I've won a few games."

Lineker's experience is part of the latest attempt by business to take over soccer. But Bernard Tapie and Silvio Berlusconi bought Marseilles and AC Milan to fuel their egos rather than to sell cars. Toyota, not its chairman, owns the largest share-holding in Grampus Eight. It is paying Lineker $6m (£4.2m) over two years. But company officials refuse to be drawn on whether Lineker's success will be measured in terms of goals, crowds – or sales.

Lineker believes, with great sincerity, that he is having a new adventure, in a new league, in a country that will one day be a soccer power. But Pele said similar things about a team called the New York Cosmos. Will Lineker look back in two years' time and discover that, in 1993, he retired from soccer and became a car salesman?

Two old pros let their hair down

***Anthony Curtis** greatly enjoys the correspondence between authors Flaubert and Sands*

SOMERSET Maugham said, "I cannot believe that any English author *would submit him*self to the excruciating boredom of sitting for hours while a fellow novelist read him his latest work. In France it seem to be an understood thing that he should..."

Nowhere do we find the truth of that observation revealed more fully than in the correspondence between Flaubert and George Sand, spanning *the decade from 1866 to 1876.* Their letters have been well translated by Francis Steegmuller and Barbara Bray – he tackling Flaubert's, she those of George Sand, a division of labour that works perfectly. Brief notes link each letter, elucidating references and the travel movements of the two writers.

Throughout Flaubert lived at Croisset near Rouen, his residence for his entire working life. He had his elderly mother to look after, with a niece and her husband to help him. He was always reluctant to leave his study at Croisset but did venture abroad from time to time, to go to Paris to see his publisher or attend one of the fortnightly dinners at the Magny Restaurant in the Latin Quarter with the Goncourts, Sainte-Beuve, Renan, Turgenev, Taine, Gautier and a few other regulars.

At the start of the correspondence Flaubert, in his mid-forties, was already famous – or *notorious* – as the author of *Madame Bovary* and *Salammbo*; currently he was in the throes of writing *L'Education Sentimentale*. George Sand, 17 years older, was an equally well-established literary landmark, having long since passed her romantic youth and liaisons with Chopin and Musset. She lived 175 miles south of Paris, in rural seclusion at Nohant with her son Maurice and his wife and her two small grand-daughters whom she adored and helped to educate.

But though she was a doting *grand-mère*, her career, her literary work, remained the top priority. Her annual output usually consisted of a novel, one or two plays and frequent journalism. The contrast between her amazing facility *and Flaubert's hyper-perfec*tionism – long periods when he published nothing while he undertook interminable research and re-writes – could not be sharper.

Yet they had immense respect and affection for each other, two old pros who were prepared to let their hair down in each other's company, giving us today a wonderful series *of insights into French literary* life. He calls her *Chère Maître* – the feminine adjective with the masculine noun says it all. She refers to him, with a nice sense of irony, as her troubadour. There are many letters in which one party urges the other to come to stay for a few days or sends an invitation to a rendezvous in Paris.

FLAUBERT–SAND: THE CORRESPONDENCE
translated by Francis Steegmuller and Barbara Bray
Harvill £20, 428 pages

Occasional meetings did occur and it was then that the readings from work in progress that Maugham finds so bizarre took place. In 1868 Sand stayed at Croisset when *Sentimental Education* was nearing completion, and she recorded in her Diary: "We went upstairs at *nine o' clock. Flaubert* read me three hundred excellent pages, which I think delightful. I went to bed at two. Coughed a lot. The tulip tree is covered with flowers". Flaubert commented on the visit to another friend: "Such character! Such strength! And at the same time there is no one whose company is more soothing. Her serenity is courageous".

As the correspondence develops Sand takes on the role of the counsellor and Flaubert the one in need of continual counselling. He complains to her of the obtuseness of reviewers, the *rascality* of his publisher, the stupidity of people in general. Apart from smoothing his ruffled feathers over such constant sources of rage, she consoles him on the death of his great friend Louis Bouilhet, the poet-librarian at Rouen; and she is there again to steady him when his mother dies and when his niece's husband's timber business suffers a *serious financial reverse* threatening Flaubert with penury.

Even with two such dedicated writers operating from within their respective artistic *fortresses, politics and contem*porary history do break in on them from time to time. We read of the impact of the Franco-Prussian war and the Commune. When the invasion began Flaubert was deeply into work on the final draft of his fictional treatment of *The Temptation of St Anthony* and – horror of horrors! – he had Prussian soldiers billeted on him at Croisset. At least – "My study they respected", he tells Sand choking with fury. She commented: "We've all suffered in spirit more than ever before in our lives, and shall never cease to feel the wound". Then, practical as always, adds: "I wrote down my thoughts and impressions every day during the crisis and the *Revue des Deux Mondes* is publishing them in the form of a journal".

The correspondence ends with her death in 1876 aged 71. Flaubert's tribute to her indomitable devotion to her work and to humanity was the story he published – *Un Coeur Simple* – describing the uncomplaining goodness of a peasant woman whose huge capacity for love becomes fixated on her parrot.

Before she died Sand, in a particularly explicit letter, defined their attitudes to their profession: "My ambition has never flown as high as yours", she tells him: "You want to write for all time: I think *I* shall be completely forgotten, perhaps severely denigrated, in fifty years' time". She was right about him but wrong about herself. These two great writers' letters to each other make a deeply rewarding book.

Tooled to self destruct

JONATHAN KINGDON was born and brought up in East Africa where, according to current theory, humankind's evolutionary roots lie. He went to school in Oxford, returning to Tanganyika by flying boat for his holidays. On one such occasion he was presented with an immigration form demanding to know his race; so he wrote "human". An irate official *told him to describe himself as* "Caucasian". Kingdon replied that he was neither a cork nor an Asian.

This early sense of the oneness of the human family anticipates Kingdon's enquiry into human origins and diversity, the themes of this highly readable book. Kingdon argues that human evolution has been influenced by technology; human form, racial differences, the variety of languages and human relations with nature, are all, he says, in important part the result of human beings' unique status as "artefacts of their own artefacts".

The premiss is simple. Two key tenets of evolutionary biology are that living things adapt to circumstance, and that circumstances change. If one applies these thoughts to humanity, one sees that the development of tools and technologies must have feedback effects on their inventors' own nature. Food processing technologies obviate the need for powerful jaws and teeth, and make more diverse food sources available. The Promethean control of fire makes it possible to occupy cooler regions of the world, as does the ability to manufacture protective clothing and to build shelters. It also makes possible the production of more elaborate tools.

SELF-MADE MAN AND HIS UNDOING
by Jonathan Kingdon
Simon & Schuster £20, 369 pages

The spread of our ancestors, thus facilitated, into territories and climates very different from humanity's Eden on East Africa's savannahs, is the source of human diversity. A visible example of this is skin colour. When humans migrated north into regions where the sun shines less strongly, their skins responded by losing pigment, so preserving the ability to synthesise vitamin D from sunlight. Mastery of fire, clothes-making and weapons technology made the northern migration possible; the "self-made *climate ordeal*" which followed produced "white" people – "depigmented ex-Africans".

On this view technology is the interface between humans and nature, and plays a major part in influencing mankind's evolutionary direction in the same way as do climate, food supplies and other recognised factors. It is in this sense, Kingdon says, that man is "self-made".

His book makes a strong case for this claim. The case brings with it other commitments which Kingdon himself acknowledges as speculative. They include the idea that Africans have had coastal connections with oceanic Asia from the earliest times, and that some differences now observable among the different human races are of very recent origin, perhaps dating back as little as 15,000 years.

Kingdon sifts the evidence of fossils, paleology and geology to piece together a story of the spread of early man within and out of Africa. He applies concepts used by ecologists and zoologists to reflect on food and water in the evolutionary story, not just its availability as a determinant of migration but its influence on the development of agriculture and society generally. Knowledge of sources of water and food, of techniques in the culture of crops, and of other complex information, necessitated recording and transmitting information; this combined with other pressures to emphasise the importance of group cohesion and cooperation.

It is astonishing how various the human need for tools has always been. *Our ancestors used them for hunting*, butchering, skinning, making clothes, building camps and hearths, digging mines, planting, tending and harvesting crops, and much besides. To make hunting equipment sharp, light and strong required skill. An excavation near Lake Malawi gives evidence of what was involved when a band of hunters killed and butchered an elephant. The animal was cut in three and handled by separate groups. Its tough hide quickly blunted their blades, so they had to make new tools as they proceeded. The amount of stone required for butchering an elephant is large, so the hunters had to carry tool-making kits with them. And they had to work swiftly, because meat decays in the heat. Kingdon gives a vivid picture of the ingenuity with which our ancestors faced such challenges.

Kingdon draws a stark conclusion *from his account of man as self-making* tool-user: that today we have more powerful tools but less knowledge of nature and less sense of responsibility for it. That is why we present such a profound threat to our future. We have directed our own evolution through our use of technology; now we are in danger of ending the story by the same means. This is by now a familiar enough point, though it always merits reiteration. The value of Kingdon's book is that it sharpens the point in a powerful and fascinating new way.

A.C. Grayling

Under the influence of Amis and Brando

***Malcolm Rutherford** reviews a tantalising semi-autobiography, too short to be real*

SOME OF Richard Eyre's ancestors were explorers. His maternal grandfather went with Scott on his first expedition to the Antarctic and had a crustacean named after him: *roydiss formosa.* On his father's side of the family, Edward John Eyre was one of the first white men to visit the centre of Australia around 1840, and also one of the first to speak up for the Aborigines. As a boy at school in the 1950s Eyre would read epics about mountain-climbing. Nowadays, he writes, "our horizons have contracted and and the only unexplored territory is the territory of the human soul".

There are other odd facts about the director of the Royal National Theatre. His father did not want him to go to university, but he pressed on regardless and entered Cambridge via physics and chemistry. He switched to English and claims to have learned far more from Kingsley Amis than from F.R. Leavis. He believes he saw a ghost in Cambodia. He idolised Marlon Brando. For a man whose political persuasions are plainly on the left, his book contains a remarkable number of favourable references to Winston Churchill – and not only because it was on the day of Churchill's funeral that he decided to give up acting and become a director.

*This is a tantalising semi-autobiogra*phy, far too short to be the real thing. The family history is selective, almost always detached, as if, in his own phrase, he is wary of being seen "standing too close to the canvas". As a book about theatre it is selective, too, sometimes simply anecdotal, but, as in all good direction, it is the details that are telling.

When he was still an actor, Eyre had a virtually one-line part in *Macbeth*: "The Queen my Lord is dead." He rushed onto the stage and spoke it as if were one long word. "No, Richard, no," said Trevor Nunn, the director. "Milk it". He notes advice from the actress Peggy Ramsay about how to tell whether an actor is in character: "Look at the feet, dear."

UTOPIA AND OTHER PLACES
by Richard Eyre
Bloomsbury £16.99, 206 pages

Then he picks up guidance from the American writer, David Mamet: "Choice of actions and adverbs constitute the *craft of directing*". "Get up from that chair," Eyre goes on, "and walk across the room. Slowly." In other words, don't just say it; do it. One of the reasons he admired Brando is that he had the "ability to appear to think slowly, so *that the audience feels it's being admit*ted to the intimacy of the thought processes, and embraced as conspirator in the emotions." How it all shows in Eyre's best productions such as *The Night of the Iguana!*

"*Utopia*," which as distinct from the "Other Places" is never to be found, pays proper tribute to Harley Granville-Barker, one of the greatest English language playwrights of this century and the real founder of the National Theatre. Eyre also lauds, and has clearly learned from, Granville-Barker's now sometimes neglected Prefaces to Shakespeare. If Amis was his best teacher, he notes, Granville-Barker was a kind of surrogate father.

At other times, however, Eyre can be remarkably silly. One always thought that he read too much into *Richard III* as a role model for Hitler's Germany and Pinochet's Chile, yet here he is sitting down during rehearsals and seriously discussing what would happen should Britain become a fascist country. The Irish designer, Bob Crowley, would be in a concentration camp for a start, but assuming Eyre was still director "at what point would I stand up and say 'No'?"

That is not quite the only departure into fantasy. I suspect from a random reference that Eyre does not much understand France. Nevertheless, as a director, Eyre will always make sure that the feet are in the right place. Firmly.

Law of the jungle

IF YOU ever wonder what actually happens to your child on the other side of the school gates, here is the answer. Children, like everyone else, are obsessed by food and sex. In the playground, potato crisps are a currency, doled out as rewards and to win favours. Stories about sex, and sexual and scatological jokes, are relentless. A real whiff of danger means that "Kiss Chase" or "Snoggers" is being played. And yes, even at seven the male of the species is "more egoistical, enterprising, competitive, aggressive and daring" than the female; he is also more likely to be the exhibitionist or clown that makes the playground an irresistible place.

Since the 1950s, Iona and Peter Opie have collected the songs and games of childhood and explored the diversity and longevity of children's customs in bestsellers such as *The Lore and Language of Schoolchildren* (1959), still the classic on the subject. The Opies were the first to suggest the English playground as an anthropological paradise; now, in *The People in the Playground*, Iona Opie charts the fieldwork of weekly visits to a local junior school over 14 years. Written as diary extracts, this new work at once sparkles with a sense of being there, of what it is like to be a child in the alert, fast-moving school yard, and allows Mrs Opie to pull together a lifetime's observations through particular, vivid details, from seasonal variations in marbles to the way a story evolves in the telling or a game is suddenly devised and forgotten.

"I still feel the excitement of the hunter when I hear children coming out to play," she writes. The playground as jungle is the overwhelming impression of her book. Survival is all, which means that friendship works like a contract; that a powerful girl of eight whose febrile energy can motivate large groups of children controls playground dynamics as if by right; and that the need to fight, among boys, or to perform, among, say, cartwheeling girls, is ever-present.

THE PEOPLE IN THE PLAYGROUND
by Iona Opie
Oxford £15.95, 240 pages

Judgments against outsiders are speedy, ruthless, matter-of-fact: "the boys have been calling her Poofy, 'cos she smells, *and* they say she's got fleas" some girls explain, "as if they were reporting a leaking tap". Attraction across the sexes is instantly public and has ten-year-olds earnestly reciting poems about their peers – such as "Down in the meadow where the green grass grows/There stands Linda without any clothes./Along comes Andrew clipperty-clop/Down with 'is trousers, out with 'is cock."

Jokes, as among adults, come from fears – coffins and castration are favourite subjects – or out of a wish to feel superior, as in the long-running Irish jokes. Mrs Opie jotted it all down as it was told, watched by the children – "A kindly little boy by my side said 'If you can't spell starkers just put in the nude'" – who emerge sympathetically as a range of playground types: the raconteur, the defensive loner, the "mouse boy".

Most people will remember them; it is hard to read this bubbling account without bursts of nostalgia, for the continuity of children's lore, from "knock knock" jokes to singing games, is astonishing. No one can match Mrs Opie's breadth of reference here, or the immediacy with which she evokes, through a single rhyme, an *entire* mood and culture.

When at Christmas 1978, for example, her pupils sing "We three kings of Leicester Square/Trying to sell ladies' underwear/How fantastic, no elastic...", she recalls the 1952 version – "We are three spivs of Trafalgar Square/ Flogging nylons tuppence a pair/All fully fashioned, all off the ration..." Such details, V.S. Pritchett wrote of the Opies' early work, *take you* deeply into British life; it is a verdict which holds true for this fascinating addition to the Opie opus.

Jackie Wullschlager

FT Children's Book of the Month

Taste of the sublime

PUBLISHERS of information books for children seldom overcome a problem inherent in the very idea of communicating information. The information bearer is, by his very nature, a passionless creature who exists to draw attention to his message. He must not stand in the way of what he lives to communicate; he must not make an independent spectacle of himself. He must be a superlative technician, and not an author in his own right.

Proof of the fact that publishers of this kind of book approve of this approach and, indeed, consider it necessary for economic and other reasons, is to be found in umpteen series of books – because information books are, generally *speaking, published in multiples.*

Consider, for example, the new Kingfisher "Little Library" series, the first eight titles of which are published this month. The format, pagination and price (at £1.99 each they represent extraordinarily good value for money), are all uniform and the first eight titles cover the following subjects: jungle animals, ballet, castles, space, dinosaurs, jet airliners, horses and helicopters. Text, illustrations and artwork are crisply and competently executed, and no young reader is likely to come away dissatisfied.

And yet there is a problem, and it centres on that question of authorship. All these books are written by the same person, Christopher Maynard, who has done an excellent job throughout within the limits imposed by the idea of the series itself. But how can Christopher Maynard hope to bring an individual, let alone a quirkish, approach to such a vast range of subjects? That is the problem: he is not so much an author as a jobbing technician who is hired for his general level of expertise in a remarkable variety of subject areas; next month, such a person might well be at work upon a four-volume history of the Crusades of 128 pages each for ten-year-olds.

Another matter is the question of re-use of material from other books. According to a note that appears on the copyright pages, some of the material used in the "Little Library" series is not original – it was first seen in the "Kingfisher Dippers" series of 1989. Publishers of non-fiction – especially of cookery books – have in the past made a habit of re-using artwork, and the practice itself underscores the argument that the desirable end in view from the point of view of the publisher is not so much a book that is particular to one author (Christopher Maynard's name does not even appear on the covers of his books; you have to look at the title pages to discover who has written them) as an appealing amalgam of words and visuals at an irresistible price; not so much a book as a commodity.

THINK OF AN EEL
by Karen Wallace, illustrated by Mike Bostock
Walker Books £6.99, 32 pages

This month Walker Books have done something a little different from the rest of the pack by introducing an element of real authorship – and therefore a degree of passion and pleasing quirkishness – into the business of publishing information books. You can tell that something interestingly odd and unpredictable is afoot by the very titles of the first six books in the "Read and Wonder" series: *I Like Monkeys, Caterpillar Caterpillar, Think Of An Eel, All Pigs Are Beautiful, A Piece Of String Is A Wonderful Thing* and *Think Of A Beaver*.

Here we are already worlds away from the instincts of a marketing department whose aim is to provide "books at competitive prices on subjects that children have a perennial interest in", namely dinosaurs, space, horses, et cetera. The texts are as various as their subject matters: one is written in a kind of rhythmical prose, often close to a chant; another is told as a story. Other useful items of information are strewn about the pages at random, not neatly boxed, as is usually the case. Nor are the illustrations closely guarded inside uniform grids and they differ in approach from book to book – oil pastels for one; black ink and water colour washes for another. There is everywhere a feeling of space, and a refreshing degree of inventiveness.

But, above all, the authors have managed to give a sense of real individuality to the texts: there is both feeling and *curiosity*, and a *wish to share* particular enthusiasms. The well-known childrens' novelist Dick King-Smith, author of *Sophie's Snail* and *The Whistling Piglet* among many other titles, has written *All Pigs Are Beautiful* – and that seems entirely appropriate, because he spent 20 years of his life working as a dairy farmer.

And which one is the best of this first batch? The most original in subject matter is undoubtedly Judy Hindley's unravelling of the mysterious history of string; but first prize must surely go to the collaboration between Karen Wallace and the illustrator Mike Bostock in *Think Of An Eel*. Why does this book succeed so well? The illustrations – watercolours, painstakingly built up in layers – *capture the sinuous* movements of eels to a quite uncanny degree; and the text itself is so bare and so simple that it enables the extraordinary facts of an eel's life – that *strange progress* from the Sargasso Sea and back again to the spawning ground – to speak for themselves.

The world is a sublime and mysterious place, and children, whether infants or juniors, will get more than a taste of it – and for it – in this book.

Michael Glover

BOOKS AND ARTS

Fiction

A place in the Gothic heights

Alannah Hopkin considers Angela Carter

AMONG the few writers of English Gothica Angela Carter must rank high. She made the difficult transition from the impecunious life of the experimental novelist to that of a writer who received enormous respect and acclaim from her colleagues while also commanding decent sales, before her life was cut short last year by cancer at the age of 52.

A line from Freud quoted in one of these pieces could well serve as her motto: "Reason becomes the enemy which withholds from us so many possibilities of pleasure."

Highly intelligent and erudite, she fought hard to reconcile her intellect and her imagination. It is the struggle between these two faculties that characterises her work. She is perhaps best known for *The Bloody Chamber*, her wild Freudian versions of traditional fairy tales, one of which was filmed as *The Silence of the Wolves*.

The nine pieces assembled here represent various aspects of a quirky talent, but they are not among her best work. Compared to the exuberance of her accomplished 1985 collection *Black Venus*, these are rather thin and tentative. a "Lizzie's Tiger", one of the few conventional "stories", is a prelude in a minor key to "The Fall River Axe Murders". Carter's unforgettable account of the day that "Lizzie Borden with an axe/gave her father forty whacks" which appeared in *Black Venus*. Sometimes in this first section there is an odd feeling that one is reading a pastiche of Angela Carter rather than the real thing.

The five "Old World Wonders" are more interesting, and typically unclassifiable. A lightly humorous piece, "The Ghostships", describes the unforeseen problems when the early Puritan settlers of Massachusetts attempt to ban Christmas. "Ashputtle or The Mother's Ghost" offers three versions of the Cinderella story, each more beguiling than the last. "Alice in Prague" is a baffling tribute to a Czech film animator, verging on the incomprehensible, but still able to delight in its inventiveness.

AMERICAN GHOSTS AND OLD WORLD WONDERS
by Angela Carter
Chatto & Windus £13.99, 146 pages

OPERATION SHYLOCK
by Philip Roth
Cape £14.99, 398 pages

□ □ □

The latest novel by Philip Roth (of *Portnoy's Complaint* fame), *Operation Shylock*, is like a long and very bad Woody Allen movie, a simile which would not amuse the illustrious author. Besides sharing an American Jewish background, Allen and PR are both neurotically self-obsessed and given to manic behaviour, long-winded arguments and feeble jokes.

Roth's joke is to state in the Preface that this book is "as accurate an account as I am able to give of actual occurrences...that culminated, early in 1988, in my agreeing to undertake an intelligence gathering operation for Israel's foreign intelligence service, the Mossad" The punchline comes at the end: a Note to the Reader beginning "This book is a work of fiction..."

If the 398 pages between these two claims had been either credible or faintly amusing it would have made a better joke. As it stands it is no laughing matter. We are asked to believe that a Philip Roth doppelgänger turns up in Jerusalem campaigning for "Diasporism" – the return of Ashkenazi Jews to their European countries of origin, which would lead to the liberation of occupied territory by reducing Israel's population. Roth fears that the existence of his double is a recurrence of old depressive symptoms.

However, when a job for the *New York Times* takes him to Jerusalem he comes face to face with his "other". The complications caused by the two being in the same city are of course mighty, and given the state of Arab-Israeli relations in 1988 also potentially dangerous.

"Existence is surely a debate..." goes the epigraph from gloomy Kierkegaard and so is this novel. Arguments about Jewish identity, Israeli aggression, the rights of the Palestinians, anti-semitism, and so on, are expounded relentlessly at full volume.

The effect is exhausting: like being buttonholed by a bore. This is a pity because on those rare occasions when Roth is not arguing, he manages some crackling descriptive prose which reminds one of how good he can be.

Ben after the Booker

THE BOOKER PRIZE casts a long shadow, although whether for good or evil is open to debate. Some authors never write another book after winning Britain's top literary award; others write the same one again and again, in the hope of reliving past glories. Some achieve only fleeting fame, others become so notorious that the mere mention of their name can start a riot. And always there is that nagging feeling: after the Booker, what next?

For Ben Okri, who won it two years ago with *The Famished Road*, the answer is a sequel, *Songs of Enchantment*, which takes up more or less where the earlier book left off. Azaro the spirit child is older now, growing up in a world as crazy as ever, living with his parents in dire poverty while all around him an unnamed African country slides inexorably into chaos.

This is a land where foreheads catch fire, eyes fall from sockets, babies impregnate themselves and the sky splits open and fish swim in the cracks. There are also Jackal-headed Masquerades, tree stumps that scream in the night, a Party of the Rich and a troupe of malignant spirits which roams the forests, entering people's thoughts at will.

Got the picture? It helps to have read the first book, because questions of when, where, why, how and who are not addressed at the beginning of the second. The author launches into a lot of stuff about the seven mountains of our secret destiny and the song of a circling spirit, a song for those of us who never see that beyond the chaos there can always be a new sunlight.

Well, yes, but what one was hoping to see was a novel, with a beginning, a middle and an end, some characters on the way and perhaps some sort of plot-induced crisis that could all be resolved satisfactorily in the final act. It is what fiction used to be about, after all. And will be again, once the current fad for *Satanic Verses*-style fantasy has run its course.

In fact Okri can tell a perfectly good tale when he sets out to, as he has already shown in two volumes of short stories. Fans of *The Famished Road* will doubtless enjoy the sequel as well, but those who prefer a more realistic edge to their fiction might opt instead for Lawrence Naumoff's *Taller Women*, a droll and sharply funny look at the sex war, as seen through the eyes of a group of deeply conventional American suburbanites.

SONGS OF ENCHANTMENT
by Ben Okri
Cape £14.99, 297 pages

TALLER WOMEN
by Lawrence Naumoff
Flamingo £5.99, 289 pages

FUCKING MARTIN
by Dale Peck
Chatto & Windus £ 9.99, 228 pages

ST PATRICK'S DAUGHTER
by Margaret Mulvihill
Hodder & Stoughton £14.99, 252 pages

Chief among them is Lydia, a hospital administrator, who lives with her doctor boyfriend but spends much of the time analysing his defects to her friend Martha. The two of them are the epitome of American womanhood, who look and think the way American women have been trained to look and think, and know without a doubt that they are at the cutting edge of all that a modern woman ought to be.

Actually of course they are prisoners of the American Way, pre-programmed to talk non-stop nonsense about everything, and to be deeply satisfied with themselves for doing so. Naumoff sends them up rotten, with plenty of whip-smart dialogue and some hilarious insights into the absurdities of human nature. His biography reveals no background of TV sit-com writing, but that is the kind of writing he does, and very good it is too.

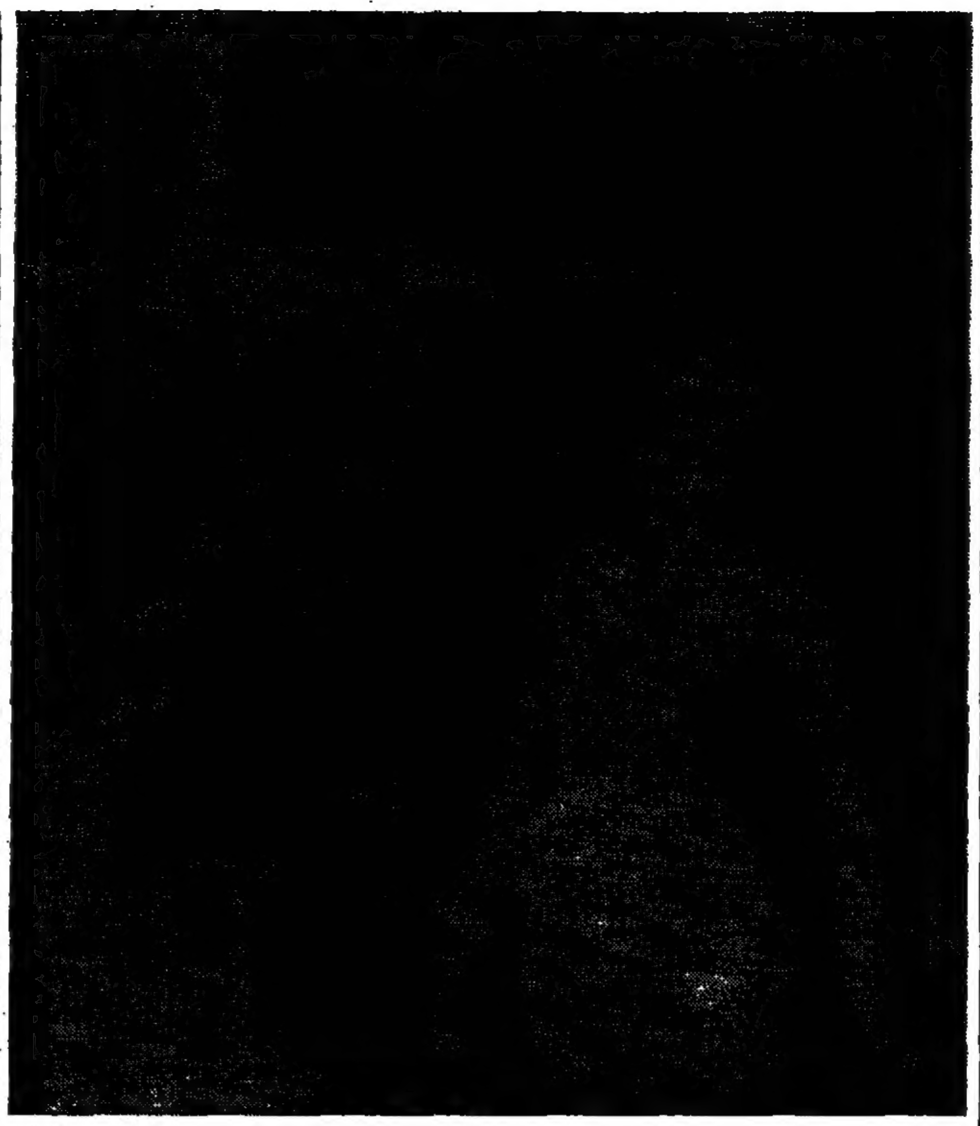
Dale Peck's first novel *Fucking Martin* was called *Martin and John* in America, but we British have stronger stomachs and are not offended by rude words. *Fucking Martin* is about the size of it too, because there are several characters called Martin in the book, and several called John as well. The author is telling several stories within a story, each with a different set of characters with the same name, and it is not always easy to distinguish between them.

That said however, it is a remarkably mature work for a young writer, albeit one still a little obsessed with his parents. There's an awful lot of "My mother ... my father ..." in the book, which reads very much like the autobiography of a young homosexual brought up in Kansas and now living in New York. His theme is the fashionable one of being gay in the time of AIDS and he handles it well enough, without the stomach-turning sexual detail that you find in the work of Alan Hollinghurst, Aldo Busi or even Edmund White.

St Patrick's Daughter, by Margaret Mulvihill, is set in London, Dublin and Paris, but mostly London. It tells the story of a handsome but feckless Irishman who flees wife and daughter in his native land and sets up in Camden Town, where he ekes out a living as an assistant in a second-hand clothes shop.

He is joined by his daughter, who thinks of herself as St Patrick's child because her father once played the title role in a minor film about the saint. She finds her father not quite as saintly as she had expected, but plenty of fun all the same. Mulvihill's humour is sly and gentle, her observation acute. The story has no great plot, but this is meant to be "slice of life" writing rather than a rattling good yarn.

Nicholas Best



Detail from "Bathsheba bathing" by Jean Bourdichon

A King tempted

Patricia Morison admires a sometimes risque US exhibition

"Oh Lord, rebuke me not in thy indignation ...", begin the Penitential Psalms written, according to medieval opinion, by King David.

AROUND 1500, Jean Bourdichon, versatile court painter to the French king, produced an astonishing image of the sort of thing guaranteed to excite the Almighty's wrath: King David peering from a bow-window at a sizzling Bathsheba. It is just one of many lovely things to be seen in The Bernard J. Breslauer Collection of Manuscript *Illuminations*, now at New York's Pierpoint Morgan Library on 39 East 36th Street (closed Mondays).

Sadly, this exhibition of 104 single illuminated leaves, publicly exhibited for the first time, finishes on April 4. (The scholarly catalogue costing \$49.95 [£35.10] can be bought mail-order; 212-685-0008.) Breslauer is a distinguished rare book-dealer who has built up his remarkable collection over 25 years. It consists of illuminations dating from the 11th to the 17th centuries, roughly half of them by Italian Renaissance artists. Not to be overlooked is an early 20th century contribution by the execrable Spanish Forger whose additions to two 14th-century Italian leaves have a certain piquancy: it was a director of the Pierpoint Morgan Library who in the 1930s, debunked this now sought-after faker.

Bathsheba, one the other hand, is very much the real thing, down to her anatomically correct genitalia. Even the elder Cranach did not dare as much with his goddesses and nymphs. His dumpy Bathsheba washing her feet is fully dressed. Whereas minor 16th century German masters went further in their erotic prints, the memorable thing about Bourdichon's Bathsheba is that she should feature in a devotional book.

The four splendid Bourdichon leaves in the Breslauer collection once belonged to the so-called Book of Hours of Henry VII, now in the British Library in London. However, it is more than likely that this book was painted not for Henry Tudor, but for the louche eye of a French king. Traditionally, the Psalms were illustrated by the Penitence of King David, expiating in the wilderness his sin of first committing adultery and then sending Bathsheba's husband to his death in the front line. Penitent David features in a Book of Hours made by a French painter for that much-sinning monarch, Henry VIII.

It was quite another thing to show Bathsheba, the seductive little baggage who caused all the trouble. Yet it appears that this became a speciality of French illuminators. Bourdichon's bathing beauty suggests that there were ways of cheering up the time a king was expected to spend on his knees.

No one now dismembers medieval manuscripts for their illuminations, as collectors did so shamelessly in earlier generations. However, one benefit of the practice is that a single leaf is a lot easier to display and view than a bound book. An illustration for the month of October shows a party of noblemen going hawking in delightful sun-hats. It was made for the sumptuous Bona Sforza Hours, also in the British Library but minus 16 leaves stolen when thieves broke into the workshop of the famous Milanese illustrator, Giovanni Pietro Birago.

Birago valued his loss at a staggering 500 ducats – five times the value that his contemporary, Leonardo da Vinci, put on his "Madonna of the Rocks". Today, that might seem sufficiently unlikely to make us wonder if perhaps the artist was trying it on. Because most of us rarely see medieval or Renaissance books, there is a tendency for the type of paintings we do see to skew our understanding of the range of skills which connoisseurs in the Renaissance demanded of artists.

The special value of the Breslauer Collection is that its dozens of dazzlingly virtuoso images challenge the supremacy of wood and canvas. None does so more eloquently than Simon Bening's "Rest on the Flight into Egypt", one of six leaves in the exhibition by this great Bruges master. This scene of St Joseph bringing his bonnet full of apples to the seated Virgin, measures only 4 in by 3 in and yet, unquestionably, it is a tour-de-force.

A harmonious balance of blues and greens beckons the viewer into a landscape which seems to stretch for miles. Tiny figures, Herod's soldiery, search unavailingly through the immensity of crags, forests, and meadows although the spectator feels that there can be no place for evil in this ethereal country. What a fortunate man Breslauer must be. Might he now be persuaded to extend his generosity to this side of the Atlantic?

Screen / Nigel Andrews

A nude man within reach

EVERY MARCH, a group of famous women compete for the chance to hold a nude man in their hands while the world's TV audiences look on. The women are called film stars; the nude man is called Oscar; and leading the field for this year's Best Actress contest, on Monday, are the America's Susan Sarandon and Britain's Emma Thompson.

Let me declare a conflict of interest. Although the Briton in me wants Thompson to win the statuette for giving the cinema of E.M. Forster a full eight-pint blood transfusion, the internationalist in me says something else: that Susan Sarandon, nominated for *Lorenzo's Oil*, has spent 20 years giving even more blood to even more critical stretcher-cases and is overdue for accolade.

Sarandon's down-home passion as an actress – the low elastic voice, the pretty-plain features, the hooded eyes that range from half-mast slyness to full Bette Davis pop-open effect – has raised a dozen films from the dead: *King Of The Gypsies*, *The Other Side Of Midnight*, *The Hunger*, *Uncompromising Positions*...

As a reward, Hollywood occasionally throws her a major movie. *Atlantic City*, *Pretty Baby*, *Bull Durham* or *Thelma And Louise* which earned Sarandon her last year's Best Actress Oscar nomination. If she wins this year's, for a film in which she poweracts everyone off the screen including co-star Nick Nolte, Sarandon will no doubt get up on the stage and play the appropriate role: the speechifying, gushing, jewel-bedecked Movie Star. "I would like to thank..."

But when I met her, filming on location in New York, I discovered something rarer than the Roc bird. A film actress who tells you what she actually *thinks* about the film industry. About the roles it provides for women (and men); about stage versus screen acting; about how films are born in the age of high-concept marketing; and about the difficulty – impossibility? – of being both an actress and a movie star.

Sarandon On Casting And Typecasting. In my career I've been "discovered" about four times. "She's good at playing waitresses," they say after *Thelma And Louise*, so I get offered a row of waitresses! "She's good at prostitutes" after *Pretty Baby*, so every script I'm sent is set in a brothel. I don't know what they consider a Susan Sarandon role to be. (Wry laughter).

Sarandon On Anti-Agents And Asking-Fees. When it comes to my choosing roles, my agents are kind of anti-agents. They never advise me along the company line. For films like *Bull Durham* or *Light Sleeper* I'll take half my asking price. Because you know that as soon as you get an offer for \$2½m with a script that it's going to be horrible. If you don't do the parts you want to do, you're a prisoner of your own celebrity. We still get paid *obscene* amounts of money (laugh and emotive grimace) to *do* a pretty *ridiculous* job. So you keep your living standard lower to get a higher range of interesting work.

Sarandon On Roles For Women. *Thelma And Louise* was a breakthrough, but I don't think it resulted in any consciousness-raising about female roles in Hollywood. I don't believe there are that many good parts for *men* either. It's just that even with bad parts in uninteresting films the focus is on the man's problems. The women are there in a shallow or caricatured role as the emotional support. I still don't see that changing.

Sarandon On Film-Making In And Outside Hollywood. Most big-studio projects today are put together from the poster working backwards. The advertising concept takes over the movie and the director, scriptwriter, actors all have to fit in. If you film in LA itself, it can feel very regimented, like a 9 to 5 job. The studios have their rules, the unions too. That's why *I* love working on location. Everybody scrambles and helps each other out, the job definitions are less so strict. Hollywood has become a factory town with all that follows from that, and I think that's why you don't hear people talking about pictures there, it's always "product."

Sarandon On Acting For Screen And Stage. The difference between theatre and film, I've always thought, is like that between making love and masturbation. In theatre you know you're reaching someone – the audience; and what they give back is taken and changed by you into something that fits the context of the play. Film acting is very much a self-centred, detached form of concentration. You have to make individual moments work and hope whoever puts it together has the same idea *you* do as to how it fits.

Susan Sarandon on the run in Thelma & Louise

But it's like doing a jigsaw in the dark. In the last scene in *Bull Durham*, when Kevin (Costner) comes back to me and we're sitting on the swing and it's kind of emotional, for that scene we had to keep stopping all day for the sun, and then go off to shoot bits of a totally different scene in the rain, then come back to the swing again... So the director suggested something that I think was inspired. We played music, so we could find our way back each time to the same song that had a kind of emotional fertility for both of us.

It can be maddening to keep stopping and starting all the time. You can never know if the scene is working as a flow. But I guess that's what's addictive about movie acting. You're never sure if you're getting it right, so you keep going back to try again.

Life beyond pots

BRITAIN'S first comprehensive exhibition of 20th century ceramics was staged as recently as 1980, at the Christopher Wood Gallery in London's Motcomb Street. In the catalogue foreword, historian Ian Bennett claimed that studio ceramics constituted England's only major contribution to 20th century art.

While some would consider Bennett's assessment unfair, it is indisputable that ceramics is an art medium no longer to be disparaged as "crafts". In the mid-19th century, ceramics was seen as an integral part of the total art scene, but in this century fine art has been elevated on to a pedestal all its own.

"Ceramic Contemporaries", new works by young ceramicists at the Victoria & Albert Museum, London, (until Wednesday) may remove some of that imposed distance. Organised by the National Association for Ceramics in Higher Education (NACHE), an open competition for students and recent graduates brought in more than 606 applications across the country – a reflection of the expansion of studio pottery in the last decade. Each applicant could submit six slides and over 3000 came in. The jury whittled these down to 220 slides from 170 individuals. The £10 submission fee footed most of the bill.

The exhibition is exciting, as much for its diversity and energy as for its technical facility. The spectrum is wide, ranging from the attitudes expressed by Michael Cardew, who said that pottery is about making pots to eat from, and Hans Coper, who did not really like working in clay but said he could not do what he wanted in anything else.

This "first" (there are rumblings of hope that the show will be repeated every three years) exhibition is not very much much about *pots*. The vessel takes a back seat to the surprisingly high proportion of figurative work.

Ian Ramsey's "Posse" would get my vote for the most expressive work. Placed on the floor are 14 nude men on horseback, each man and each horse in a different posture. These amazing Don Quixotes, with all their circular wheel-thrown markings, give us every mood and movement, from boredom to exuberance.

I enjoyed the realism and humour of Catrin Howell's long-nailed "Balancing Dogs" poised so emphatically, teeth bared, on all fours, and the flakey cow of Clare McGuinness, maintaining its one-eared dignity. Humour abounded. A three-spout jug dares you to get one single *flow*. R. Dawson's "Fat Cups", the lips as wide as a doughnut, represent the ultimate demi-tasse.

Of course there were mugs and teapots, too, and a handsome green/tan coffee service. Sadly, the tableware was just tableware. The British disease of worshipping the 18th century does not encourage interesting industrial production or young talent. All the more shocking, then, to see Dinah Body's elegant bone china, which looks good enough to be Italian.

The 1980s were the years of greatest expansion at the V&A for studio pottery; 250 pieces bought, of which 185 cost £42,672.45, or 85 per cent of the total money spent in that area over seven previous decades, but still less than half of 1 per cent of the Museum purchase budget for the decade.

The largest number of pieces (22) are, not surprisingly, those of Dame Lucie Rie. Rie is the living master of 20th century ceramics in Britain, perhaps the world. Along with Bernard Leach and her friend and mentor Hans Coper, these great names still command high prices at auction.

On March 25, Bonhams held an auction of these greats, and others. The company has dominated the market ever since Cyril Frankel (no relation to the writer) moved there from Christie's. Recession or no recession, their six-figure profit, according to Frankel, has remained much the same as in the glorious 1980s, leaning heavily on the big names.

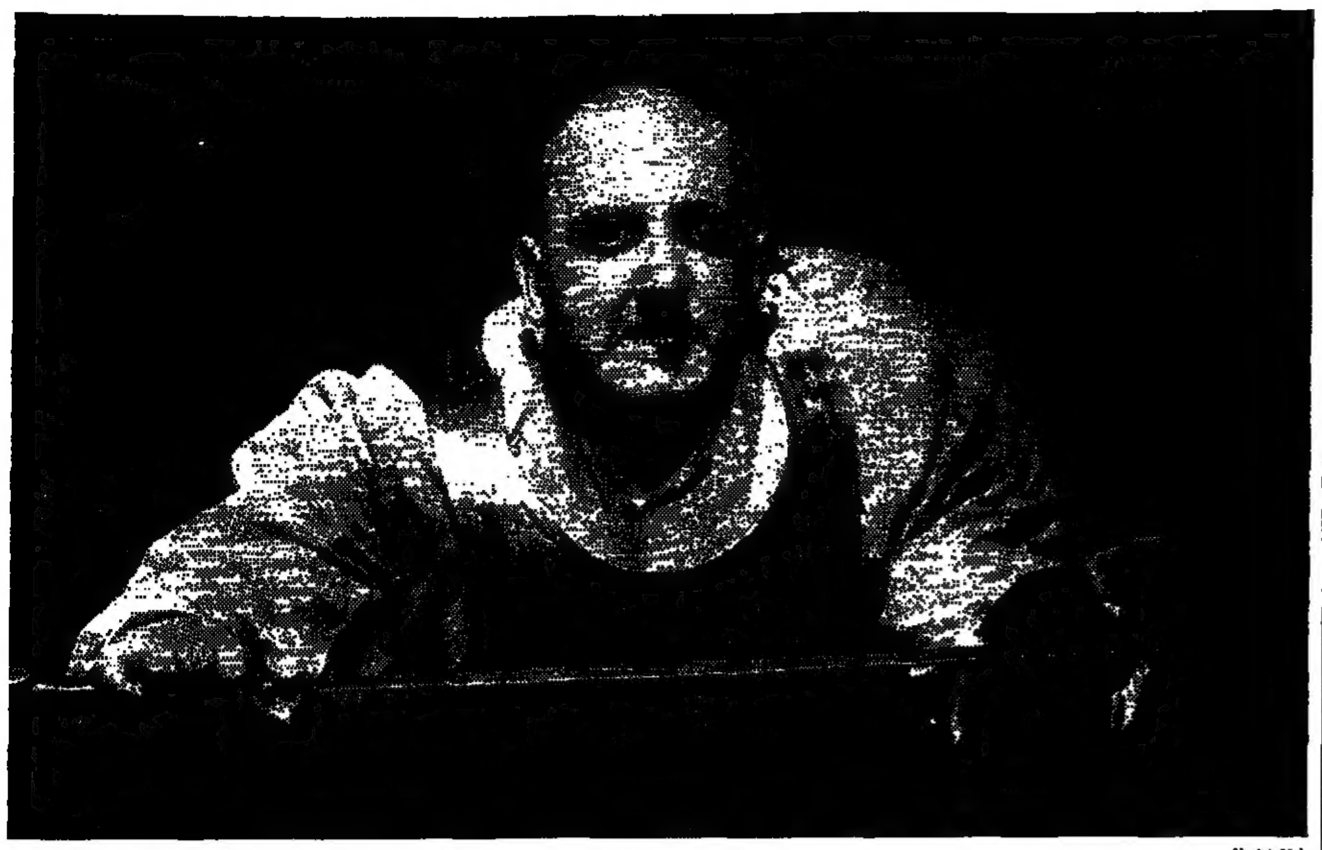
Last Thursday evening, Bonhams held an auction of these greats and others. Only 3 per cent remained unsold and Frankel says it was his best sale there, a "confirmation that prices have held up". Including the 10 per cent buyer's premium, the sale netted £257,834. An elegant white Bernard Leach pot reached its world record price of £10,000; a pink porcelain conical bowl by Dame Lucy Rie sold for £6,500, a £500 increase over a similar and superior one sold in 1989. A large unglazed red and orange dish by the internationally acclaimed potter Kitaoji Rosanjin sold for £11,000 to a Japanese buyer in the audience. The monumental stoneware pot by Hans Coper sold to a telephone buyer for £29,000.

Two more current exhibitions command attention. Contemporary Applied Arts (43 Earlham Street, London WC2) is showing the ceramic pieces of Gordon Baldwin until April 17. His work, in particular the blue "vessels from the place of stone" is extraordinary.

"Visions of Craft 1972-1993" at the Crafts Council (44a Pentonville Road, London N1) until May 9 presents, among the 200 outstanding objects, potters who have put Britain on the world ceramic map: Leach, Rie, Coper, Cardew, Britton, Poncelet, Henderson, Crowley and others.

Claire Frankel

ARTS



Alastair Muir

Richard of Gloucester: "Men *shall* deal unadvisedly *some*times." Simon Russell Beale (pictured above), back from injury, plays Richard in the Royal Shakespeare Company's touring production of *Richard III*, newly returned to Stratford at the Swan Theatre. His superb Richard has verve and wit enough to make villainy enthralling; he is by turns vicious, icy, and funny. Other highlights are Stephen Boxer's limber Buckingham, Kate Duchene's Queen Elizabeth and Christopher Hunter's vexed Hastings. The simple plain set and monochrome lighting leave space for the play to bustle in. The plot unfolds at great pace from the moment Richard opens the action under a bare light bulb. Intelligent detail fills out the evening, with a fine end in the Malmsey butt for "false perjur'd Clarence" and the terrifying dreams at Bosworth as Richard is cursed by his victims' ghosts. Sam Mendes directs. In Repertory until May 1 (Box Office 0789-295623).

Andrew St George

Brave stab at Glinka

FOR ITS latest venture the ever-enterprising University College Opera has staged Glinka's *Ruslan and Lyudmila* – the full five-act opera, uncut it seemed. "The Tsar of operas", Tchaikovsky called it; Alexander Serov, Russian critic and composer, countered by deeming it "not a drama, not a play, hence *not an opera*, but a randomly assembled gallery of musical scenes". This work divided critical opinion from the start – and continues to do so – but its seminal importance in the history of Russian music is indisputable: it became a veritable source-book for Russian opera composers even into the 20th century.

Ruslan (1842), Glinka's second opera, earned him the title "father of Russian music", a label fitting for a composer who mixed Italian convention with bold new form, "fantastic" harmonies, vivid oriental colours and magical subjects. It was also the first of countless operas derived from Pushkin – though the poet's untimely death scotched the possibility of his collaboration with Glinka, who then began writing music for the opera before he had a libretto. Hence the dramatic muddle that has ensured the work's neglect.

This production at London's Bloomsbury Theatre was a brave, welcome gesture by University College Opera, but the odds were stacked against the students even before they began – *Ruslan* makes virtuoso demands, on the orchestra especially. Tuesday's performance got off to an inauspicious start, dogged by the non-arrival of programmes, a scrappy overture and wayward choral singing. Throughout the evening the chorus was consistently under-projected – a problem compounded by the strange decision to give this unknown work in Russian, or rather (to borrow Andrew Porter's phrase), partly in Russian and partly in gibberish. At least one English translation exists; it was used by University of Reading Opera in 1976.

The students deserved stronger guidance than they got. The music (under David Drummond) was played in a generalised *mezzo forte*, and the production matched it. Mike Ashman – often an admirable producer – staged the opera aimlessly on a featureless raked stage, in designs (by Bernard Culshaw) that lacked magic; an understandable shortcoming, given the shoe-string budget.

From the large cast three singers stood out. Elizabeth Hetherington was a touching Ludmila, and Michael Preston-Roberts was well cast as Bayan and Finn – his tenor has the right tone for these plaintive Russian character roles. Most impressive was the soprano Helen Kucharek as Gorislava. Her performance suggested Slavonic glint, and was sung in well-projected Russian.

At least UCO hinted at the many merits of *Ruslan and Lyudmila*, making its neglect by major companies hard to understand. If *The Golden Cockerel* and *Christmas Eve* are worth doing, then why not this important Russian opera?

■ **Bloomsbury Theatre, London, WC1. Final performance tonight.**

John Allison

Pale new light on Britten

IN 1898, when Henry James's *The Turn of the Screw* was first published, one reviewer described it as "the most hopelessly evil story that we have ever read". The subject of the corruption of children was an inflammatory one even then, long before the days of the video nasty.

If it had been scheduled just a couple of days earlier, this production of Britten's operatic version of the story by the London Royal Schools' Vocal Faculty could have been included as part of the extensive Festival of Britten. Instead it was a near miss – a verdict that might equally be pronounced on the performance, in spite of the impact this opera always makes in a venue of the right size.

In the Royal College of Music's Britten theatre the music sounded stronger than it has for years at the London Coliseum. Michael Rosewell conducted and a respectable student orchestra put the score across with vivid colours and urgency.

This was in contrast to the paler impression made by events on stage, where Julia Hollander's production only intermittently set up enough tension between the characters to make the spine tingle.

From this academic year the Royal College and the Royal Academy of Music have been pooling their resources so as to give their operatic productions a wider choice of singers. This Britten opera was convincingly cast, if not notably well sung. As the Governess, on whom the story's moral axis turns, Marianne Hellgren was properly strict, outwardly cool, though the vocal part invites the unleashing of resources as yet beyond her means.

Denise Mulholland's darker and a touch wilder soprano was well suited to the infernal Miss Jessel. Walter Dixon portrayed an unusually corporeal Quint, who was at times tempted away from singing the notes. Janet Fairlie played Flora as a bossy big sister to Samuel Burkey's Miles, marvellously impressionable and involving, as he had been at ENO. It cannot be often that little Miles is the most experienced member of the cast.

The closing scene of Act 1, when the boy, half frightened and half intrigued by the approach of danger, is being seduced by the ghost of the evil Quint, was by far the most chilling of the performance. Watching it again in the knowledge of the recent revelations about Britten's private life really does shine a different light on the whole opera.

Richard Fairman

Grade E for Mr C . . .

Clement Crisp despairs of a 'Béjart-vu phenomenon'

AFTER AN absence of more than a decade, Maurice Béjart has brought his forces back to London's Sadler's Wells. Not the former cohorts of bare-chested men and stabbing-point women. Not, the apologists would have us believe, the old spectaculars that could fill the Boboli Gardens and the Grand Palais with physical hyperbole and enough gassy philosophising to launch a hot-air balloon.

This is the new, slimmed-down Rudra Béjart company from Lausanne, leaner in forces and concentrated in effects, and more personal. After seeing *Mr C...*, which opened a *Sadler's Wells* season on Thursday night, I can but report that the difference is imperceptible. This is what it always was, a Béjart-vu phenomenon, more flatulent and more heart-sinkingly awful than any I have seen from this choreographer in the past 30 years.

Mr C... is allegedly "about" Charlie Chaplin. I start with the disadvantage of finding Chaplin marginally less entertaining than war, pestilence and famine, and I am damned if I will subscribe to Béjart's comment that "He is love, and no-one can resist loving him", nor his belief that he was a "sacred cow who invented cinema" and "the greatest dancer ever".

These quotes may give some indication of Béjart's concerns during this 90-minute exercise in mega-tedium. They do not, though, prepare us for the appearances of Chaplin's daughter, Annie, who acts as mistress of these desperate ceremonies and is Very Vivacious Indeed; nor of Chaplin's grandson, Charlie Bubbles, who has the air of a man lost in a maze – for which no-one can blame him in these surroundings.

The sequence of events during this hour and a half – was that all? I know that empires fell, and dinosaurs came and went on the Earth – defeats rational comment. The curtain rises to reveal the heaving posteriors of Béjart's chaps – a motley crew, and still bare-chested – and thereafter various sideways-on glances are cast at Hollywood and Chaplin's films. (They are obligingly catalogued by Miss Chaplin and Mr Bubbles, laundry-list fashion). We see Sennet bathing beauties; an audition by various grotesques; a baying performance by Martyn Fleming as the bearded bully of those early Chaplin silents. Gems from *Romeo and Juliet* are spoken into telephones by Miss Chaplin and Mr Bubbles (whose calls were not to the RSC, I am certain). There is also a cat, performed with unseemly roguishness by Juishi Kobayashi, and a fat girl in a pink dress playing a trombone. No further warnings should be necessary. Chaplin is impersonated with some discretion by Gil Roman, and I wondered what that fine dancer Koen Onzia was doing in this *galère*.

It remains for me to note that much of the accompanying score is confected from Chaplin's own saccharine little tunes, and that design is minimal and dull. Of dramatic purpose, structure, dance merit, or even good old-fashioned entertainment, I could discern no trace. I do not think even Charlie Chaplin deserves this sort of treatment, though the subtle moment when Chaplin boxes with his daughter, and is knocked out by her, seems to me to be not without significance.

After *Mr C...*, the Iron Maid of Nuremberg would be welcome. The programming plays a clever card by presenting Sylvie Guillem in Béjart's newest creation for her. He has shown her in other successful pieces – *Mouvement, Rhythme, Etude* at the Paris Opera was a first dazzling study of her gifts – and *Sissi* is no less apt. It is concerned with the Empress Elizabeth – or rather, with a madwoman who thinks she is the Empress.

At curtain-rise Mlle Guillem is found *en beauté* in a white crinoline by Gianni Versace, looking like a Winterhalter. Two attendants are there to dress her, and Olivier Chanut serves as both courtier and doctor in an asylum. But this is essentially a bravura *solo*, whose action shifts between the Empress's longings and her final assassination, and the woman's fantasies and her agonised mental state. It is intriguingly constructed, so we believe in both *personae*.

Regal manners and hallucinatory suffering alternate. Mlle Guillem speaks *Kennst du das land* with a simplicity and poetic grace that mark her portrayal of Elizabeth; then (in a vestigial shift) probes the woman's anguish with flashing technique. The piece is a vehicle, and richly decked with emotional and physical clichés. Without Mlle Guillem, it would be insufferable. With her, it is fascinating. Her performance has a relaxed assurance, a command of feeling, that shows a new maturity in her abilities. She is everywhere touching, dance and expression fine-tuned. The accompaniment is a mish-mash of scores; the design simple. Nothing detracts from the authority of Mlle Guillem's grand impersonation.

■ **Rudra Béjart Lausanne is at Sadler's Wells, with mixed programmes, until April 3.**

Alastair Muir

Gil Roman as Chaplin in the disappointing Mr C . . .

Radio/**B A Young**

A Hammer of sorts

HERE IS a novelty. Jonathan Holloway's *The Hammer*, Radio 3's Sunday play, was adapted by the author from Red Shift Theatre's stage play and at Radio 3's commission, produced independently by Essential Productions under the author/director. Red Shift has never before been in broadcasting, but Essential has done one earlier independent production for Radio 3.

Broadly speaking, Holloway's story concerns the search for St Quentin's reliquaries in the priest-holes of an old house where they were hidden in the 16th century. An interesting story it is, where events overlap from century to century, the characters re-created as needed; but I confess I found the tale hard to follow.

Scenes are dotted about in a *pointilliste* way over the years, and I found inadequate interest in character and insufficient forward movement. The playing was competent but the parts gave little chance for excitement. Perhaps none of these qualities would be seen in a live performance, but radio drama has rules of its own.

File On Four is Radio 4's answer to *Panorama*. This week, *The Whole Truth* dealt with an increasingly important phenomenon, prosecution witnesses at trials threatened until they decide not to give their evidence. One girl agreed to appear and, after she did, was attacked by three other women. She was found a place in a hostel under an alias, but sure enough came phone calls asking for her by her real name. In the end, she withdrew.

Some judges will allow witnesses like this to appear under false names, or behind screens, and the police will protect unwilling participants – not, however, for the rest of their lives, and many cases are lost by the withdrawal of promised evidence. I found this feature vital and alarming.

Less urgently, Radio 4's *The Making Of Christine* on Thursday related the feelings of a man who had always felt himself to be a woman, and in his fifties had the courage to get surgeons to make him one. One would have liked some surgical detail, especially as he claimed to have a functional vagina; but we only had the reactions of his family (wife and two children), friends and of course himself. There were difficulties in choosing clothes and using public toilets, but most people were helpful. I reckon this too superficial a way to treat such a case.

Gilbert and Sullivan are both interesting in their several ways, and I was happy that Radio 2's *Sullivan Returns To Earth* last Saturday was mostly D'Oyly Carte music with just enough biography, played as drama by Richard Baker (composer) and John Ayldon (librettist) to separate the numbers. I suppose the title celebrates Sullivan's devotion to light music rather than to rubbish like "the long day closes". And while we are on Radio 2 music, best thanks for *Eddie Lang* on Tuesday, memories of the great guitar-player we heard with bands such as Red Nickels's Five Pennies, the guitar still played as a musical instrument.

Wilfred Owen, who had a double tribute on this page last week, was still with us from Monday to Friday when Kenneth Branagh read poems and letters on Radio 3. He read splendidly, but he read as an actor. Poems like "The Century" should surely suggest the feelings of a young officer or NCO actually confronted by the appalling horror recorded. As Owen wrote, the poetry is in the pity.

I must note two other good Owen programmes from last week, the World Service's *Meridian* and Radio 3's *Strange Meeting* on Friday with John Wain – both centred on the poet rather than the poetry.

Too soon to enthuse over John Hurt's reading of Anatoly Pristavkin's *The Inseparable Twins* as Radio 4's Book At Bedtime. I have only heard three of the ten instalments so far.

B A Young

Chess No 967:
1 Kg6 Kh8 2 Bf8 Kg8 3 Bg7 a3 4 Bh6 Kh8 5 Bf8 Kg8 6 Bxa3 Kh8 7 Be7 Kg8 8 a4 queens with mate.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.50 Litt' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live!

12.12 Weather.

12.15 Grandstand. Introduced from Putney by Steve Rider. Including at 12.20 Football. 12.50 News. 12.55 Racing from Newbury: The 1.00 Lambourn Handicap Hurdle. 1.10 Boat Race Preview. 1.25 Racing: The 1.30 Mitsubishi Shogun Trophy (H'cap). 1.40 Badminton: The All-England Open Championships from Wembley Arena. 1.55 Racing: The 2.00 Hoechst Panacur EBF Mares National Hunt Novices Hurdle (H'cap). 2.10 Boat Race Toss. 2.20 Badminton. 2.45 Boat Race: The 139th University Boat Race. Olympic gold medallist Matthew Pinsent rows for the Oxford crew. 3.45 Rugby League: First-half highlights and live second-half coverage of Wigan v Bradford Northern in the semi-final of the Silk Cut Challenge Cup. 4.40 Final Score. Times may vary.

5.15 News.

5.25 Regional News and Sport.

5.30 Cartoon.

5.40 That's Showbusiness.

6.10 You Rang, M'Lord? Lady Lavender insists on a military funeral when her beloved pet parrot drops off its perch, while scheming butler Alf has plans for pompous footman James. Starring Paul Shane.

7.00 Film: Three Amigos! Riotous comedy, starring Steve Martin, Chevy Chase and Martin Short as a trio of silent Western movie stars who are asked to rid a town of bandits (1986).

8.40 Birds of a Feather. Tracey holds a perfume-selling party and asks Dorien to invite the guests. But she isn't prepared for the arrival of gatecrashers.

9.10 News and Sport; Weather.

9.30 That's Life!

10.10 Film: Harlem Nights. Gangster comedy set in the 1930s. A Harlem drinking club owner and his son face up to a white mobster trying to muscle in on their business. Written, directed by and starring Eddie Murphy, with Richard Pryor and Danny Aiello (1989).

11.55 The Young Comedians. Selection of stand-up comedy from America.

12.45 Weather.

12.50 Close.

BBC2

8.40 Open University.

3.00 Animation Now.

3.10 Myrna Loy: So Nice to Come Home To. Kathleen Turner celebrates the career of Myrna Loy, one of Hollywood's most acclaimed actresses. The programme is followed by one of her most famous films.

3.55 Film: Mr Blandings Builds His Dream House. Bright comedy about the misadventures of a city couple who set out to build a house in the country. Starring Cary Grant and Myrna Loy (1948).

5.30 Late Again. Highlights from last week's editions of The Late Show.

6.20 Scrutiny. Reporting on the House of Commons Select Committees.

6.50 Sounds of the Seventies.

7.25 News and Sport; Weather.

7.40 Screenplay: The Countess Alice. Poignant drama, starring Zoe Wanamaker and Wendy Hiller. A journalist is less than pleased when he is asked to write a story about a former socialite who caused a scandal in the 1930s by marrying a Prussian count. But when he meets the ageing woman, he becomes fascinated by her and curious about her secrets - especially when she refuses to let her middle-aged daughter visit the former family home in eastern Germany.

9.10 Fine Cut. The hard-hitting documentary series draws to a close with the world TV premiere of the controversial Titicut Follies, a no-holds-barred portrait of the hideous treatment administered to inmates at a hospital for the criminally insane in Bridgewater, Massachusetts. Made in 1967, the film was immediately banned from public screening by a judge who considered it to be obscene. But when five inmates died in mysterious circumstances in 1987, the hospital made the headlines and the ban was lifted.

10.35 Film: Plenty. Drama, starring Meryl Streep as a former British intelligence agent who finds it hard to adapt to civilian life after the end of World War Two. The star-studded cast also includes Charles Dance, Tracey Ullman, Sting, John Gielgud and Ian McKellen (1985).

12.40 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speakeasy.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 Movies, Movies, Movies. Cinema previews include Forever Young, a re-released The Jungle Book, and Splitting Heirs. Videos under review are Wayne's World, and Father of the Bride.

1.40 Film: The Last Unicorn. Mia Farrow, Alan Arkin and Jeff Bridges provide the voices for this animated children's fantasy following a magical band of animals (1982).

3.05 The A-Team. The renegades help a reporter who discovers shady dealings at a security firm.

3.55 WCW Worldwide Wrestling. Grappling action in the canvas ring.

4.40 ITN News and Results; Weather.

5.00 London Tonight and Sport; Weather.

5.10 Baywatch. Mitch and Stephanie have their hands full when a team of UFO enthusiasts, led by a beautiful academic, camp on the beach in anticipation of an extraterrestrial visit.

6.00 Blind Date. Dating game which aims to match romantic hopefuls with their perfect partners. With Cilla Black.

7.00 Film: Cannonball Run II. An Arab sheik puts up a million-dollar prize for the winner of a cross-country car race. Action comedy, starring Burt Reynolds and Shirley Maclaine (1983).

8.55 ITN News; Weather.

9.10 London Weather.

9.15 Film: Stakeout. A cop involved in a murder case falls in love with the suspect's girlfriend. Comedy thriller, starring Richard Dreyfuss and Emilio Estevez (1987).

11.25 Film: The Little Girl Who Lives Down the Lane. Mystery thriller. An independent girl becomes the target of a child molester who thinks he knows her guilty secret. Starring Jodie Foster and Martin Sheen (1976).

2.05 (BST) The Big E.

3.05 Get Stuffed; ITN News Headlines.

3.10 Basketball.

4.10 Rock Sport.; ITN News Headlines.

4.30 BPM.; Nightshift.

CHANNEL 4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Sign On: At Leisure. 12.30 pm Songs and Memories.

1.00 Film: Monkey Business. Screwball comedy about a scientist who develops a serum to halt the ageing process - but ends up reverting to his childhood ways. Starring Cary Grant, Ginger Rogers and Marilyn Monroe (1952).

2.45 Racing from Doncaster. Including the 3.00 Hayselden Audi VW Doncaster Shield, 3.40 William Hill Lincoln Handicap, 4.15 Cammidge Trophy, and the 4.45 Insurex Expo-Sure Group Handicap.

5.05 Brookside.

6.30 Right to Reply. Viewers' reports and ideas about TV; News.

7.00 A Week in Politics. Examining the week's parliamentary news. Presented by Andrew Rawnsley and Vincent Hanna.

8.00 Adventures. In 1986, Dr Robert Ballard produced the world's first pictures of the wreck of the Titanic. This programme follows his recent hunt for the famous German battleship, The Bismarck, sunk in 1941 and lying three miles below the surface of the Atlantic Ocean.

9.00 Porterhouse Blue. The aftermath of Zipser's death plagues the college, while Skullion plots revenge for his dismissal after 45 years of loyal service. David Jason, Ian Richardson and Griff Rhys Jones star in the final episode of Malcolm Bradbury's award-winning adaptation of Tom Sharpe's comic novel.

10.00 Saturday Zoo. Jonathan Ross talks to actress and author Carrie Fisher, and WWF personality Hulk Hogan.

11.00 Ready Steady Go! Featuring Billy J Kramer, Billy Fury, The Kinks, The Who, Sandie Shaw, and The Hollies.

11.35 Adult Oprah. Teenage girls explain why they turned to a life of violence and crime, including one high-flying student who conspired to murder her ex-boyfriend.

12.30 Film: A Day in The Death of Joe Egg. Alan Bates and Janet Suzman star in Peter Nichols' adaptation of his own offbeat play about a couple trying to cope with their daughter's cerebral palsy. With Joan Hickson, Peter Bowles and Sheila Gish (1972).

3.30 The Word.

4.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Movies, Movies. 1.05 Anglia News. 1.10 Wrestling. 2.00 The A-Team. 2.55 How to Murder a Millionaire. (TVM 1990) 5.00 Anglia News and Sport 9.10 Local Weather.

BORDER:
12.30 Movies, Movies, Movies. 1.05 Border News. 1.10 Kick Off. 2.00 Granada Sport Action. 5.00 Border News and Weather 5.05 Sports Results.

CENTRAL:
12.30 Movies, Movies, Movies. 1.05 Central News 1.10 Nigel Mansell's IndyCar '93. 1.40 Wheels In Sport. 2.10 The Magical World of Disney. 5.00 Central News 5.05 The Central Match - Goals Extra.

CHANNEL:
12.30 Movies, Movies, Movies. 1.05 Channel Diary. 1.10 Nigel Mansell's IndyCar '93. 1.40 Poker Alice. (1986) 3.25 The Munsters Today. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN:
12.30 Movies, Movies, Movies. 1.05 Grampian Headlines 1.10 Calptean Planaid. 1.40 Speaking Our Language. 2.10 Tomas Tolteach S A Charaidean. 2.15 Police News. 2.20 Carry On Nurse. (1959) 3.55 Wrestling. 5.00 Grampian Headlines 5.05 Small Talk. 9.10 Grampian Weather.

GRANADA:
12.30 Movies, Movies, Movies. 1.05 Granada News 1.10 Kick Off. 2.00 Granada Sport Action. 5.00 Granada News 5.05 Granada Sport: Goals Extra.

HTV:
12.30 Movies, Movies, Movies. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '93. 1.40 McCloud: The Colorado Cattle Caper. (TVM 1973) 3.05 Twin Beds. (1942) 5.00 HTV News and Sport 9.10 HTV Weather.

MERIDIAN:
12.30 Movies, Movies, Movies. 1.05 Meridian News. 1.10 Nigel Mansell's IndyCar '93. 1.40 Poker Alice. (1986) 3.25 The Munsters Today. 5.00 Meridian News. 5.05 Saturday Sport.

SCOTTISH:
12.30 Movies, Movies, Movies. 1.05 Scotland Today. 1.10 Calptean Planaid. 1.40 Speaking Our Language. 2.10 Celebrity Squares. 2.40 Starting from Scratch. 3.10 The Incredible Journey. (1963) 5.00 Scotsport Results. 5.15 The Box. 5.30 Scotland Today 5.45 Cartoon. 8.55 Beaches. (1988) 9.10 Scottish Weather.

TYNE TEES:
12.30 Movies, Movies, Movies. 1.05 Tyne Tees News. 1.10 The A-Team. 2.05 The Quest. (1976) 3.45 McCloud: The Million Dollar Round-Up. 5.00 Tyne Tees Saturday

ULSTER:
12.30 Movies, Movies, Movies. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Nigel Mansell's IndyCar '93. 1.50 Trans World Sport. 2.50 The A-Team. 3.45 Cartoon. 4.00 Wrestling. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 9.10 UTV Live Headlines

WESTCOUNTRY:
12.30 Anybody Out There. 1.05 Westcountry Weekend Latest. 1.10 Sahara. (1983) 3.10 The Munsters Today. 3.40 Movies, Movies, Movies. 4.10 Nigel Mansell's IndyCar '93. 5.00 Westcountry Weekend Latest.

YORKSHIRE:
12.30 Movies, Movies, Movies. 1.05 Calendar News. 1.10 The A-Team. 2.05 The Quest. (1976) 3.45 McCloud: The Million Dollar Round-Up. 5.00 Calendar News.

SUNDAY

BBC1

7.30 Opposites Attract. 7.40 Felix the Cat. 7.55 Playdays. 8.15 Breakfast with Frost. 9.15 People on the Way. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Computing for the Terrified. 11.30 Business Matters.

12.00 Advice Shop. News and information on benefits and the law. Shown Thursday on BBC2.

12.30 CountryFile. A report from the Shetland Islands, the scene of the recent Braer tanker disaster, on the eve of a major conference examining pollution in British seas.

12.55 Weather for the Week Ahead.

1.00 News.

1.03 On the Record. Political interviews and analysis.

2.00 EastEnders.

3.00 Film: Meet Me in St Louis. Sentimental musical about a family disappointed to learn they may have to leave their country home for the city. Starring Judy Garland (1944).

4.50 Song for Europe Preview.

5.00 The Clothes Show. Jeff Banks, Caryn Franklin and Brenda Emmanus present the final of the Needlematch competition from The National Railway Museum, York.

5.25 Antiques Roadshow. Highlights from the past 15 years.

6.10 News.

6.25 Village Praise.

7.00 Last of the Summer Wine.

7.30 A Year in Provence. Peter and Annie discover they have a Parisienne neighbour who has problems adjusting to life in the countryside. With John Thaw and Lindsay Duncan.

8.00 Lovejoy. A trip to Brighton becomes a treasure hunt when the witty antiques dealer and friends search for the missing pieces from a valuable dinner service.

8.55 News and Weather.

9.10 You, Me and It. Three-part comedy-drama, starring James Wilby and Suzanne Burden as a well-heeled thirtysomething couple planning to start a family.

10.05 Mastermind.

10.35 Everyman. Moving documentary following two parents helping their terminally ill four-year-old son through his final months of life.

11.15 Shakespeare: The Animated Tales. A Midsummer Night's Dream. Romantic comedy set in a magical forest.

11.40 Cats.

12.10 Weather.

12.15 Close.

2.00 BBC Select. Computer Look: A Service for IT Professionals.

2.30 Close.

BBC2

6.15 Open University. 9.10 The Family Ness. 9.15 The Animals of Farthing Wood. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Century Falls. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds.

12.25 International Athletics. The IAAF World Cross-Country Championships from Spain.

2.00 Around Westminster. Weekly round-up of political news.

2.30 Ski Sunday. The men's and women's downhill events from Are in Sweden. Last in series.

3.15 Rugby Special. Action from the Hong Kong Sevens tournament and coverage of the Wasps v Northampton match.

6.10 Natural World. Looking at the ways in which various Ministry of Defence properties have been colonised by a rich variety of wildlife.

7.00 The Money Programme. David Strachan reports on new Government plans to entice private industry into road-building and maintenance, and asks whether the introduction of a widespread toll system would lead to improved services.

7.40 The Nineties. New series. Eight programmes interviewing some of Britain's oldest inhabitants, beginning with five sisters, all born at the turn of the century, who recall the trials and tribulations of living overseas during the final days of the British Empire. These remarkable ladies reminisce about cannibals in Nigeria, witch doctors on the Gold Coast, pygmies in Uganda, and Indians in Canada.

8.20 Every Picture Tells a Story. New series. Six films investigating the history of major works of art, beginning with the strange story of Leonardo da Vinci's La Belle Ferroniere. One version hangs in the Louvre, while another is kept in an Omaha bank vault. The latter was dismissed as a copy in a famous 1929 trial, although its present owner disputes this. The programme reconstructs scenes from the trial and tries to discover which is the original work.

9.00 Grand Prix. Highlights from the Brazilian Grand Prix in Interlagos, Sao Paolo.

9.35 Did You See?

10.05 Screen Two: Maria's Child. Offbeat drama. A 30-year-old dancer, whose life and career are coming apart at the seams, discovers she is pregnant. With Yolanda Vazquez.

11.40 Film: Ulzana's Raid. Western adventure, starring Burt Lancaster as an Indian scout (1972).

1.25 Close.

LWT

6.00 GMTV. 8.55 Disney Club. 10.45 Link. 11.00 A Meditation. 12.00 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.

1.10 Walden. Brian Walden asks Robin Cook, shadow trade and industry minister: What would Labour do for industry?

2.00 The Smurfs.

2.30 The London Match. West Ham United v Millwall.

5.00 Wish You Were Here? Judith Chalmers joins Jason Donovan in Bali, John Carter visits Malaysia, and Victoria Studd reports on an organisation which converts historic buildings into holiday homes.

5.30 Survival. From cuttlefish and chameleons to archer fish and the pit viper, the programme reveals the various hunting skills evolved by predators all over the world.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Murder, She Wrote.

7.25 Watching.

7.55 The Darling Buds of May. Starring David Jason, Pam Ferris and Philip Franks.

8.55 Maigret. The Parisian detective tries to help a beautiful girl after she is drugged, assaulted and abandoned at the dead of night. But his efforts land him in deep trouble when she reveals she is the niece of a government official, and makes damaging accusations against the ace investigator. Michael Gambon, Barbara Flynn and Liza Walker star.

9.55 Aspel and Company. Acclaimed singer-songwriter and Brit Award-winner Peter Gabriel, who started his successful musical career in the 1970s as lead singer with Genesis, makes a rare public appearance to talk about his music, his political work, and his attempts to bring world music to a wider audience.

10.40 ITN News; Weather.

10.55 London Weather.

11.00 The South Bank Show. Profiling Russian composer Sergei Rachmaninoff on the 50th anniversary of his death. Melvyn Bragg visits the Russian Steppe, and talks to conductor Vladimir Ashkenazy and other musicians to trace the roots of the composer's melodic and emotional power.

12.00 Encounter.

12.30 Cue the Music.

1.30 Get Stuffed; ITN News Headlines.

1.35 TXT.

2.35 Summerrock.; ITN News Headlines.

3.30 Snooker.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Lone Ranger. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

12.45 Film: Wait 'til the Sun Shines, Nellie. Nostalgic drama about the hopes and dreams of a newlywed small-town barber in early 1900s America. Starring David Wayne (1952).

2.45 Gazzetta Football Italia. Matches include AC Milan v Torino, Lazio v Udinese, Ancona v Juventus, and Genoa v Sampdoria.

5.00 News.

5.05 The Opinions Debate. Vincent Hanna chairs a public forum discussing Britain's social and political problems.

6.00 Moviewatch. Reviewing Derek Jarman's Wittgenstein, and a remake of George Romero's horror classic, Night of the Living Dead. Other films under scrutiny are Used People, and a re-release of Disney's The Jungle Book.

6.30 The Wonder Years.

7.00 Fragile Earth. Examining tourism and environmental problems in Kenya. For many holiday-makers, a wildlife safari is an unforgettable experience and, in this part of Africa, it is also a vital part of the country's economy. But, as a group of British holiday-makers discover, these trips can cause immense ecological problems, damaging both the culture and wildlife.

8.00 Raising the Roof. Do DIY construction projects offer a solution to Britain's chronic housing shortage? Self-building can be a daunting prospect, and not everyone is prepared to take on the responsibility it entails. The programme talks to some of the determined few prepared to battle through the red tape to construct their own homes. Progress reports feature throughout the next two weeks.

8.30 Benny Hill. Highlights from Britain's top comic export.

9.00 Lipstick On Your Collar. Francis has a confession to make to his family in the final episode of Dennis Potter's six-part musical drama.

10.20 Film: Chicago Joe and the Showgirl. Stylish thriller about a would-be actress and an American GI who embark on a killing spree in wartime London. Kiefer Sutherland and Emily Lloyd star (1989).

12.15 Film: Halfaouine. Witty tale about the sexual awakening of a young Arab boy. Selim Boughedir stars (1990).

2.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 2.00 Highway to Heaven. 3.00 The Bridges at Toko-Ri. (1954) 5.00 Survival. 5.30 Bullseye. 6.00 Anglia News on Sunday 10.55 Regional Weather.

BORDER:
12.30 Gardeners Diary. 12.55 Border News. 2.00 Conference Report. 2.30 Wish You Were Here? 3.00 Love at First Sight. 3.30 Cartoon Time. 3.35 Highway to Heaven. 4.30 Survival. 5.00 Scotsport. 6.00 The Border Week. 6.15 Border News.

CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.00 Earthfile. 2.15 The Central Match - Live. 5.05 Survival. 5.35 Highway to Heaven. 6.15 Central News 10.55 Local Weather.

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejornal. 2.00 Highway to Heaven. 2.55 Let's Do It Again. (1975) 5.00 Country Ways. 5.15 Survival. 5.45 Great British Isles. 6.15 Channel News.

GRAMPIAN:
10.45 Small Talk. 11.00 Deanasmaidh Gairdeachas. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Conference Report. 2.30 The A-Team. 3.30 Nigel Mansell's IndyCar '93. 4.00 Wish You Were Here? 4.30 Survival. 5.00 Scotsport. 6.00 Grampian Headlines 6.05 Elkon. 6.15 Appeal. 10.55 Grampian Weather.

GRANADA:
12.25 What the MPs Say. 12.55 Granada News 2.00 Granada Action. 2.30 Satan Never Sleeps. (1962) 4.45 Bullseye. 5.15 Coronation Street. 6.15 Granada News

HTV:
12.25 HTV News. 12.30 HTV Newsweek. 2.00 Superstars of Wrestling. 2.45 The West Match Live. 5.30 Cartoon Time. 5.45 Survival. 6.15 HTV News. 10.55 HTV Weather.

HTV Wales as HTV except:
12.30 Playback. 2.00 Soccer Sunday - The Race is On. 2.45 The Last Unicorn. (1982) 4.15 Isn't Life Wonderful. (1952)

MERIDIAN:
12.30 Meridian This Week. 12.30 Meridian News. 2.00 Highway to Heaven. 2.55 Let's Do It Again. (1975) 5.00 Country Ways. 5.15 Survival. 5.45 Loud and Clear. 6.15 Meridian News.

SCOTTISH:
10.45 Wemyss Bay 902101. 11.30 Link. 11.45 Deanasmaidh Gairdeachas. 12.30 Encounter. 12.55 Scotland Today. 2.00 Conference Report. 2.30 Highway to Heaven. 3.30 Elvis: Good Rockin' Tonight. 4.00 Take Five. 4.10 Baywatch. 5.00 Scotsport. 6.00 Scotland Today 6.05 Elkon. 6.15 Appeal. 10.55 Scottish Weather.

TYNE TEES:
12.25 Tyne Tees News Review. 12.50 Tyne Tees News. 2.00 The Magical World of Disney. 2.55 The Tyne Tees Match. 5.20 Survival. 5.50 A Woman's Place. 6.15 Tyne Tees News. 10.55 Local Weather.

WESTCOUNTRY:
12.30 West Wise. 12.55 Westcountry Weekend Latest. 2.00 Westcountry Update. 2.30 Call to Glory. (1983) 4.15 Highway to Heaven. 5.15 Survival. 5.45 On the Road to the Islands. 6.15 Westcountry Weekend Latest.

YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 The Magical World of Disney. 2.55 Your Match - Live. 5.20 Survival. 5.50 Calendar News and Weather 10.55 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Hayes on Saturday. 1.30 For Better or for Worse. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Wired for Sound: The Cliff Richard Story. 5.00 Cinema 2. 5.30 Nick Barraclough's New Country. 6.00 John Sachs Presents. 7.00 I've Heard That Song Before. 7.30 Damgate Decade. 9.30 David Jacobs. 10.00 Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Jews and Christians in Renaissance Venice. 6.55 Weather. 7.00 Record Review. 1.00 News. 1.05 Celebrity Recital. 2.40 The Ring According to Anna Russell. 3.00 The Koussevitzky Legacy. 5.00 Jazz Record Requests. 5.45 Third Opinion. 6.30 Trio-Sonata. 6.50 Live from The Met. 9.40 The Wolpert Conversations. 10.05 Italian Baroque Violin Sonatas. 10.35 Musica Viva. 11.15 Giuffre-Bley-Swallow. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse.
4.00 Age to Age.
4.30 Science Now.
5.00 Costing the Earth.
5.25 Fourth Column.
6.00 News and Sports Round-Up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre.
9.05 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Open Mind.
10.45 Rich Pickings.
11.00 Richard Baker Compares Notes.
11.30 Les and Robert.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Get Set.
10.30 Hopalong Cassidy.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.05 Six-O-Six.
7.30 Airopop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:

6.00 News; The World Today. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Personal View; Words of Faith. 8.30 Europe This Weekend. 8.55 European Sports News. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary; Play of the Week: The Pipsqueak. 3.00 Newsdesk. 3.30 Indians Abroad. 4.00 News; News About Britain; Sports Round-up. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Gems of Operetta. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Radio 2 Arts Programme. 12.05 Nick Barraclough's New Country. 12.35 Charles Nove. 3.00 Alex Lester.

BBC RADIO 3
6.35 Open University: Class in Britain Today. 6.55 Weather. 7.00 Sunday Morning Concert. 9.00 News. 9.05 Brian Kay's Sunday Morning. 12.00 Spirit of the Age. 1.00 News. 1.05 Replay. 1.25 From the Proms 1992. 3.00 Early English Keyboard Music. 3.30 Towards the Millennium. 5.15 Mozart Transformations. 5.45 The Elastic Band. 6.30 BBC Symphony Orchestra. 7.30 Sunday Play. 9.10 Arvo Part. 10.35 Martin Roscoe. 11.25 Music in Our Time. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 News.
8.10 Sunday papers.
8.50 Judi Dench.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial.
3.30 The Radio Programme.
4.00 Analysis.
4.47 Treasure Island.
5.00 Down Your Drain.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Europhile.
7.00 In Business.
7.30 Bookshelf.
8.00 Punters.
8.30 Reading Aloud.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 To the Tempest Given.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 Close.

BBC RADIO 5
6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 The Unopened Casebook of Sherlock Holmes.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
1.40 Open Forum.
2.00 Money Talks.
2.30 They Think It's All Over.
3.00 Sunday Sport.
7.00 Sportsdesk.
7.20 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:

6.00 Newshour. 7.00 News; News About Britain; Letter From America. 7.30 Jazz For The Asking. 8.00 Newsdesk. 8.30 From Our Own Correspondent. 9.00 News; Words of Faith; Classics With Kay. 10.00 News; Business Review. 10.15 Short Story: It is Essential That She Has A Child. 10.30 Folk Routes. 10.45 Sports Round-up. 11.00 News Summary; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.00 News Summary. 1.01 Play Of The Week: The Pipsqueak. 2.00 Newshour. 3.00 News Summary; Heritage. 3.30 Anything Goes. 4.00 News; BBC English. 4.30 News And Features in German. 5.00 News; News About Britain; Indians Abroad. 5.45 Letter From America. 6.00 BBC English. 6.30 News And Features in German. 8.00 Eastern Sounds. 8.30 Europe Tonight. 9.00 News; Folk Routes; Words of Faith. 9.30 Ned Sherrin's Counterpoint. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Short Story: It is Essential That She Has A Child. 11.30 Letter From America. 11.45 Sports Round-up. 12.00 News; Business Review; Classics With Kay. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary; Images Of Debussy. 2.45 Mastersingers. 3.00 Newsdesk. 3.30 Composer Of The Month: Ludwig van Beethoven. 4.00 News; News About Britain. 4.15 Sports Round-up. 4.30 BBC English. 4.45 News And Press Review in German.

CHESS

GARY KASPAROV and Nigel Short effectively won the opening against Fide, the world chess body, when their breakaway Professional Chess Association received a £2m bid for a title match in London in September compared with Manchester's official Fide offer, which reached £1.6m in last-minute talks.

Fide's president Florencio Campomanes, who blundered by allowing inadequate time for bids, failed to persuade Kasparov to change his stance. Negotiations broke down when the Russian demanded full PCA control of title matches.

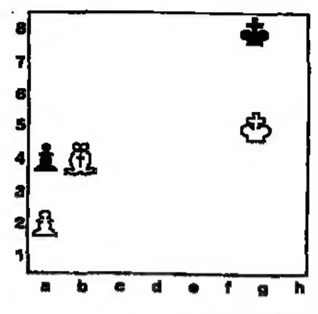
Fide began the middle game shakily this week by substituting a Karpov-Timman championship match which lacks credibility as a title contest. Better moves would be to wait or to set up a match tournament of top GMs including the Indian Anand, effectively the world no 2, and the Hungarian Judit Polgar.

The new PCA also has credibility problems. Fide plans a legal challenge to the PCA's use of "world championship", while sceptical grandmasters see Kasparov as power-driven and tarnished by his role in two previous player groups. Manchester city officials are bitter at Short, conscious of a blow to their Olympic 2000 bid.

Kasparov and Short make the next move. They will decide between bids of £2m from the London Chess Group, a consortium of City and BBC interests, and £1.7m from *The Times* and Teleworld Promotions, Rotterdam. It may come to a BBC v Sky battle for late night viewers.

Chess No 967

White (to move) agreed a draw because his bishop does not control his pawn's queening square. How could he have won?



Solution Page XXII

Leonard Barden

■ No 966: The h3 bishop should have been black not white, this error changed a mate in three to a multiple mate in two by 1 Ra1, b1, c1, h1 or Qg4+.

BRIDGE

TODAY'S hand is from Danny Roth's *Hand Reading in Bridge*, published by Gollancz at £10.99. The author shows us how to "see" the opponents' cards, and overcome their counter measures. Take the West cards and and plan your campaign to defeat South.

	N	
	♠ A 2	
	♥ Q 8 5 3	
	♦ A Q J 6	
	♣ J 9 4	
W		E
♠ K J 5		♠ 10 9 7 6 3
♥ K J 9 2		♥ 10 4
♦ 8 2		♦ 10 9 4 3
♣ A Q 10 7		♣ 8 3
	S	
	♠ Q 8 4	
	♥ A 7 6	
	♦ K 7 5	
	♣ K 6 5 2	

You deal with East-West vulnerable, and open the bidding with one club. After two passes South reopens with one no trump, which in the protective position shows 12-14 points. After a Stayman enquiry from North is answered by two diamonds, North's bid of three no trumps ends the auction.

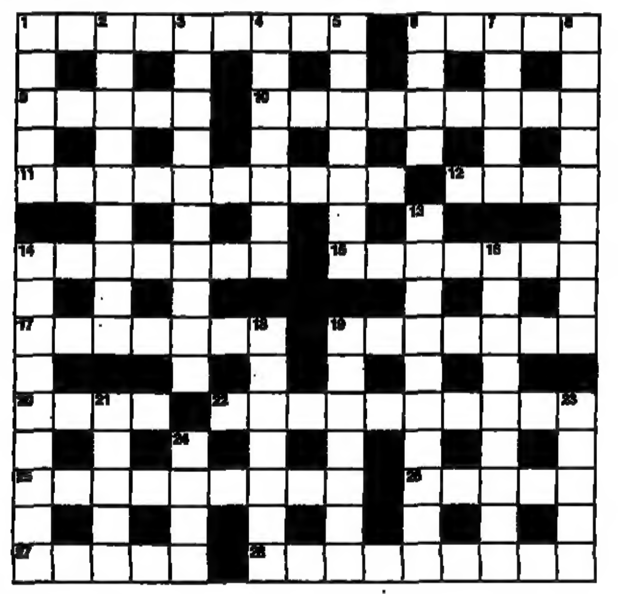
It is clear that East has no high card point. A diamond lead will not give any tricks away, but declarer will continue the suit, and endplay you. It is better to attack with the heart two. South takes East's 10 with his ace, and returns the seven. You can set up another heart trick by continuing the suit, but you will be endplayed; forced to surrender the ninth trick by returning a spade or a club. Count declarer's tricks - two hearts, four diamonds, and one spade. He must set up two tricks in clubs. That means losing the lead twice. There is one hope - that East holds the spade 10. You lead the knave of spades, East drops the seven, the queen wins, and South leads a club. You take your queen, and lead the spade king to dummy's ace. You win the next club, and return your spade five to defeat the contract.

E P C Cotter

CROSSWORD

No. 8,112 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday April 7, marked Crossword 8,112 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 10.



Name
Address

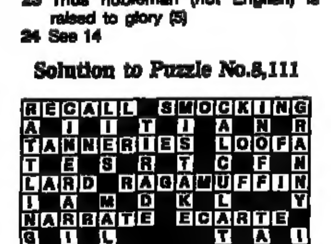
ACROSS

1 ...island bachelor (6,3)
6 ...for every snake (5)
9 ...I take on king bound to wheel (5)
10 ...bill: bill's like a limpet (9)
11 ...extra exam (6,4)
12 ...short sleep (4)
14 Girl with painful cries returned bigger (7)
15 Evict in appearance (4,3)
17 Arctic islands left frequently outside circle (7)
19 Conceited person changes bed with Haig (7)
20, 22 Place of account for the night's break? (4,8,4)
25 Arbitrator concocted ice, not food and drink (9)
26 Parliament (Irish) backed war poem (5)
27 Beliefs of film director (C for Carol) (5)
28 Dam serge - results will make beds (9)

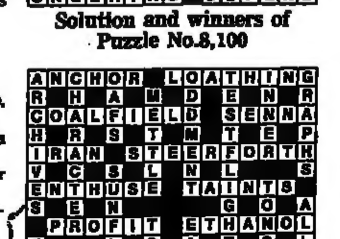
DOWN

1 Corn under athlete's foot? (5)
2 Sounds from wings? (6,3)
3 Tapering at both ends all at once, turning on a point (10)
4 Greek capes - on which to pray to a Greek god? (7)
5 No trumps and no case to answer (7)
6 Gripper instead of second-in-command? (4)
7 In a river, the opposite of cold snap? (5)
8 Looked up to put off rising, without speculation (9)
13 Free-trader's team looked on optimistically (6,4)
14, 24 Travelling circus hid Paul with vitriolic effect (9,4)
16 Worker working (9)
18 Drink with egg surrounds insubstantial void (7)
19 Gunner's pass? (7)
21 The wrong thing said out of strong affection (5)
23 Thus nobleman (not English) is raised to glory (5)
24 See 14

Solution to Puzzle No.8,111



Solution and winners of Puzzle No.8,100



T.J. Spencer, London N22; Tom Behan, Hoylake; P.B. Davis, Rotherham, S. Yorks; John Donovan, London W2; A. Morgan, Barry, S. Glamorgan; Angela von Twickel, Ascot, Berkshire.

The horror of dead children

***Dominic Lawson** asks why the death of two boys has produced such outrage*

"PUT THE IRA UP AGAINST A WALL THEN SHOOT THEM", was the message, in letters two inches high, on Tuesday's front page of Britain's most popular newspaper.

The Ulster Freedom Fighters are clearly diligent readers of *The Sun*. Within 12 hours of the order to kill from Wapping High Command, the Protestant terrorists had murdered five Roman Catholics, in Castlerock, Co Londonderry.

The Sun was right in one respect at least. It prefaced "Put the IRA up against a wall then shoot them" with the slogan "The Sun speaks out for Britain." While such sentiments were not expressed in the House of Commons, or indeed in any other newspaper, we can be confident that in the pubs and housing estates of Britain the "put the bastards up against a wall" argument outweighed all others. *The Sun's* extraordinary success is based on its consistent ability to express what most British people feel, and in demotic language.

The particular rage caused by the IRA's murders in Warrington is for this reason: the two victims were children – one three, the other 12.

The murder of children still horrifies in an age sated with horrors. The popular reaction to the murder last month of another three-year-old, James Bulger, was a clear sign that we regard the murder of a child as intrinsically different, and intrinsically more evil, than the murder of an adult.

It is not more evil, and it is not necessarily worse. I cannot see that the murders, by bomb blast, of Jonathan Ball and Timothy Parry were *more horrifying* or more evil than the shooting down, in the coldest of cold blood, of James Kelly, James McKenna, Robert Dalrymple, Noel O'Kane and Dee Walsh. All these men were British citizens as entitled as any of us to the protection of the law and the state.

The popular outrage at the murder of children is linked to the idea that they are "innocent" in a way that adults are not. Leaving aside the now highly unfashionable Christian doctrine of original sin, such arguments still seem tendentious, suggesting that the greater number of misdemeanours that an adult will have committed somehow makes the sudden extinguishing of his life by violence easier to balance in the scales of justice.

In many ways, the death of an adult is a far more damaging thing than the death of a child. The death of a mother, for example, destroys a family completely. The death of a father is scarcely less devastating. *This truth*, horrible as it is, is one appreciated in the famine zones of Africa. Those who have worked for aid teams there have reported that *children are generally* left to starve before the adults. This is not because of lack of love, still less callousness, on the part of the parents. *It is just that those* parents know that they, and they alone, can create the family anew, by producing more children. Without the parents, *the whole family* would soon be scattered and extinguished.

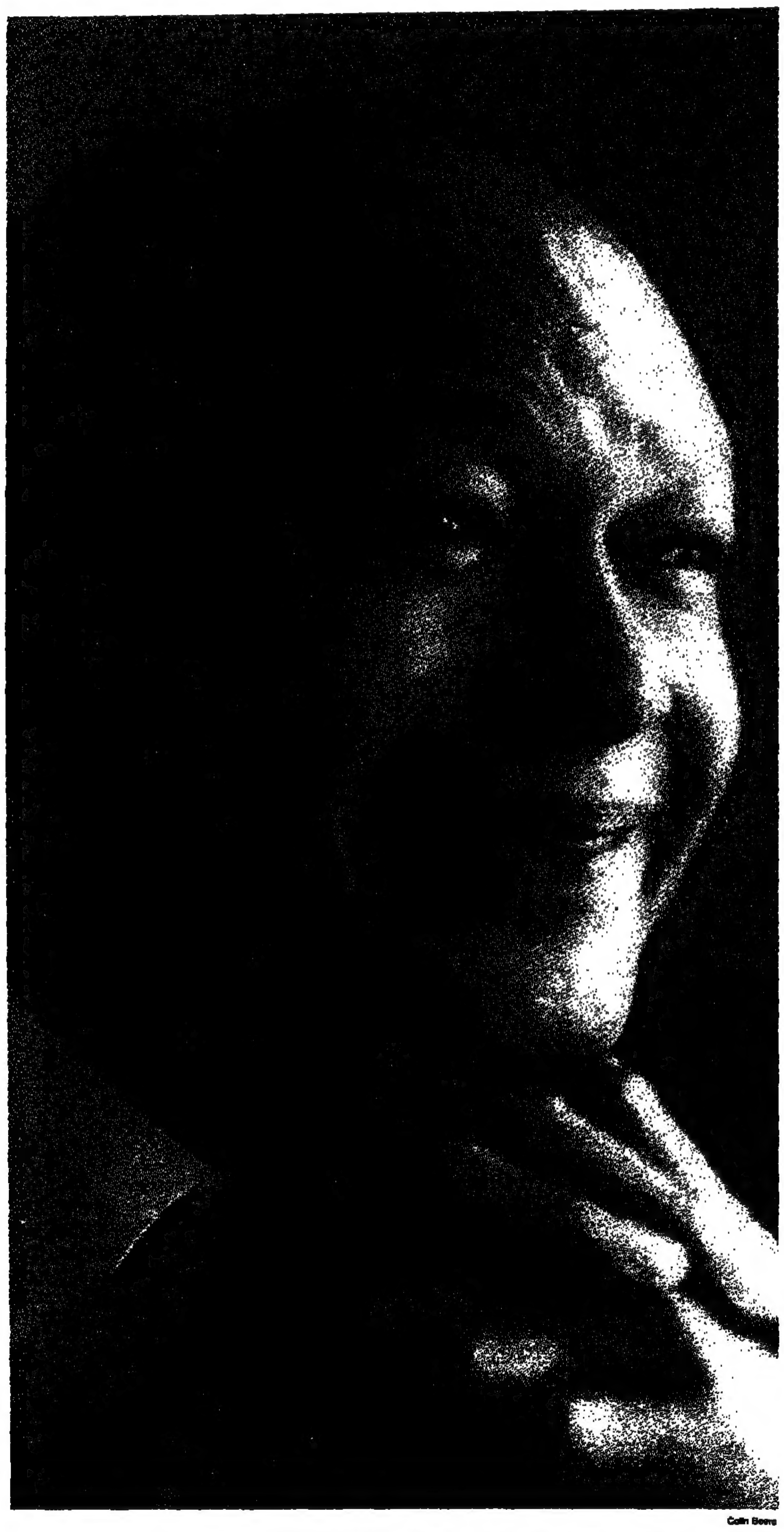
One should not blame *The Sun* for not pointing all this out. Its job is not to teach its readers philosophy or even *biology*. But one can perhaps lob a few verbal bombs in the direction of the Irish government, which has reacted to the murders of *the two* children in Warrington with unusual concern, offering to send an envoy to their funerals.

Let their envoys *stay at home*. Let them instead remove from their constitution the clause, so encouraging to the IRA, which demands the annexation of Northern Ireland. Let them instead give support, not obstruction, to British forces attempting to control the border movements of the IRA. Otherwise they might find a British government following *The Sun's* Northern Ireland policy.

■ *Dominic Lawson is editor of The Spectator*

Private View / **Christian Tyler**

A tussle with the sphinx of City Hall



Colin Beere

THE SPHINX of City Hall was living up to his reputation. Tall, powerfully-built and belying his 75 years, Tom Bradley, mayor of Los Angeles, sat stiffly upright in the ersatz luxury of a hotel suite and impassively rebutted all criticism of his megalopolis.

What else could he do? Bradley was in London this week at the start of a European tour, taking in Frankfurt, Paris and Milan, to promote his city as a tourist and investment haven barely a year after its reputation – and large parts of its fabric – were shattered by riots described as the worst in *American history*.

Mayor Bradley has other compelling reasons for his taciturnity.

Chief of them is that the four white police officers accused of beating a black driver, Rodney King, are back on trial in a federal court. It was their unexpected acquittal in a state hearing last April that touched off the inner city mayhem.

Also, Bradley has discovered the political danger of talking out of school. On a similar trip to Tokyo a few years ago he was reported as saying that "drive-by" shootings occurred in a limited area of the city and involved mainly black or Hispanic gangs. A remark obviously designed to reassure potential tourists was unfairly translated by a political rival back home to mean Bradley was indifferent to bereavements in black and Latino families.

But, more than this, Bradley's *identification with the city he has* led for a record five terms – he is standing down at the end of June after 20 years – means that every *wound it suffers leaves* a scar on his own reputation. For, despite the gloom cast over his final year by riot, recession and deficit, Bradley believes his mayoralty – the inward investment, the Pacific links, the 1984 Olympic Games, the new metro system, the after-school education scheme – has been a great success.

Even the most sober visitors to Los Angeles, however, are now asking whether the sprawling city of 4m people in a county of 9m is too big to govern.

Is it? I asked him.

"No, not by any means," he said. "It's a big city, second largest in America. It has many problems, but I think that the richness of the diversity of the city is what makes it special. We are the most ethni*cally diverse city in the whole* world. That offers both a challenge and an opportunity … a challenge for people to live together, work *together, side by side* in peace and harmony. That's been one of our great achievements over the last 20 years I have been mayor."

He might have been quoting a City Hall hand-out.

Los Angeles does not fit the common European perception of American cities as moribund ghettoes surrounded by affluent suburbs, he said. It is more diverse than that. Nor does he accept that "ethnic diversity" can turn out to be a euphemism for warring ghettos and no-go areas.

"The ethnic communities may be separated in part," he said, "but you *find people of different racial* backgrounds in every section of the city, not in conflict, not in disharmony."

What about the sheer pressure of immigrant numbers? Is that something you can cope with?

The mayor laughed indulgently. "From the beginning of our country, we have had large numbers of immigrants who have come in. Immigrants are not the problem."

But unemployment, budget cuts and poor housing had combined to leave people feeling angry, not at other racial or religious groups, but at society as a whole,

Most accounts support Bradley's view that last year's explosion was not racial in character, *unlike the* Watts riots of 1965. The mayor described it as the work of people "striking out" in an opportunist *fashion against* any *convenient* target. The fact that immigrant Korean storekeepers took the brunt of the destruction had "no special rationale."

So does Los Angeles have a race problem? I asked.

"Not just because of the size of the city. There are people in parts of the city who, because of poor education or lack of jobs, do suffer economically.

"I came from conditions of severe poverty and the city offered an opportunity to me. Based upon the quality of the education I received, I was able to advance, I was able to achieve, I was able to take advantage of the opportunities offered."

Although Bradley has been criticised for being too close to the white *business community – and four* years ago repaid some private earnings after admitting to unwise financial dealings – his own background gives him every reason to sympathise with the struggling poor and to extol the American Dream.

'The overwhelming majority of the police officers are professional in their conduct'

"The thing that made a difference in my life was good education," he said, "a spirit of determination, the confidence and belief in myself and my abilities … an uncompromising determination to achieve according to my capabilities."

The second of five children born to sharecroppers in Calvert, Texas (just 20 miles from Waco, where a siege of armed religious zealots continues), Thomas Bradley was taken to Los Angeles by his parents at the *age of seven. He graduated* from the University of California, then Southwestern University law school and joined the Los Angeles Police *Department, where he rose to the* rank of lieutenant. His promotion blocked, he resigned in 1961 and practised law until entering politics as one of the city's 15 powerful councillors.

It was in the police force that his feud began with Daryl Gates, the former police chief whose maverick rule of the LAPD – a force glamourised in countless films and TV programmes – was exposed after the Rodney King affair by a Bradley-appointed commission. This was led by another local lawyer, Warren Christopher, now President Clinton's secretary of state.

But when I suggested that if there was one thing wrong with Los Angeles, it was the police – that they were too few for the job and had acted (according to some residents) like gangsters themselves, Bradley was angry.

"Absolutely untrue. The overwhelming majority of the police officers are professional in their conduct, their training and their performance. Some – and I would say a very small number of them – are engaged in excessive use of force, in discourtesy toward people. But to call them gangsters is an insult. Anybody who says that simply doesn't have the foggiest notion *what the city is like or what the* police are like."

Until that moment, I had felt rather like Brer Rabbit swiping at the tar-baby and succeeding only in getting his paws stuck. Mayor Bradley, like a confident but cautious boxer in the middle of the ring, would not take a single step back – but nor would he come forward.

Except on the subject of education. Perhaps seeing his own career as an example, Bradley returned time and again to the need for education to give inner-city youths some prospect of work, some sense of belonging.

He turned down flat my suggestion that the city's own constitution (a weak mayor and strong council) might need reform; but he was prepared to criticise the educational system in the US generally for failing the young, and the Reagan and Bush administrations for withdraw*ing federal support from cities over* the past 12 years.

Californians are still the richest people in the US, despite suffering *more than most* from recession and defence industry cuts. But they have also been reducing their own taxes for years through a series of state referenda. When I suggested that the better-off citizenry did not pay nearly enough tax, Bradley was short: "I'm not going to get into that argument. What is enough?"

I persisted. Are we talking about two societies, the rich on their surfboards having a great time and the wretched people in the inner city who, once in a while, break loose and burn the place down?

"You're trying to get an answer in 15 minutes that takes sociologists a lifetime of study. I'm not going to try to give you some simplistic answer to very detailed and complex problems."

He resisted, likewise, my invitation to identify the chief task of the successor who will be elected mayor next month.

"Every candidate has lived there for years. They know, or should know, the problems and the opportunities. It's not my responsibility *to try to help them to find* what their programme should be."

Still, I said, after 20 years you might be entitled to express a view, *however tactfully* you put it.

"Except that I don't do that. I don't engage in advice to candidates."

You have managed a big city for as long as anyone on earth, I said.

"And very successfully," Bradley put in.

So you must have some wisdom to purvey to the rest of us – the millions of us – who live in cities.

"I don't think you can compare one city like London with Los Angeles and try to find a simplistic slogan that would be the answer to the problems of all the cities of the world," he replied.

When he steps down, Tom Bradley is to join a Los Angeles law firm. I asked him what he would be doing for them. "Soliciting clients."

At 75, I said, don't you want to sit down and put your feet up? "No," he smiled, but without enthusiasm. "I wouldn't think of that."

As they say in Europe / **James Morgan**

The art of dismal non-politics

LE MONDE told me that the French election causedthe departure of a man who had been a member of the National Assembly since 1936. He was Edouard Frédéric-Dupont, aged 91 and unknown to the general public.

That was the most interesting thing on the outcome I read in that or any of the other 28 French commentaries I glanced at. But only *Le Figaro* produced a view that I had expected to be universal. The Socialists had lost, said Alain Peyrefitte, because of their "passivity in the face of the brutal Common Agricultural Policy imposed by Brussels and Anglo-Saxon pressure in the Gatt." Many cling to that geopolitical solipsism that masqueraded as a foreign policy until the Gulf affair of 1991.

Apart from that, everybody agreed that voters were fed up with the ageing and scandal-prone socialists. Nobody explained why that was a reason for giving a colossal majority to a coalition led by Jacques Chirac and Valery Giscard d'Estaing.

But, as France's leading television political analyst, Christine Ockrent, said a day or two before the vote: "Politics are very old fashioned." And she is right: the idea of two parties raving at each other about how much better they can do than the other lot seems, to say the least, a little passé.

There is a new "non-politics" based on a shortage of topics for disagreement. It has made inroads even in France. Compare the lack of debate today with the situation of a decade ago when the Socialists nationalised the banks – a process which is now being reversed. Anyone who suggested bank nationalisation today would be regarded as a lunatic. Yet the case for nationalising banks in 1993 is no less strong than it was in 1981 when they had succeeded in wrecking the economies of only the developing world.

The main constituent of "politics" is that you promise the moon and either ruin the economy trying to achieve it or say you have achieved it come what may. "Non-politics" means saying you cannot do anything very much and that there are no alternatives to what you are doing. Electorates have rejected the old but they do not much like the new. As one Paris paper put it last week: "The French want no more broken promises or unrealisable dreams. They ask those who will govern them from next week to open the prospect of a solution tomorrow for their problems of today."

In Germany there is a belief that what happened in the French election will be repeated next year there. Germany is suffering scandal fatigue too. As the *Mannheimer Morgen* put it, apologies and promises to do better will not be accepted: "Being in politics no longer means you can get away with saying 'sorry.'"

The political scene is as dismal as in France: what passes for debate comes down to tedious discussions about tax rates or something known as repo fixing. All this reflects an almost Europe-wide phenomenon – the area of legitimate discussion has become appallingly constricted. Except in Italy, where the agenda is unlimited.

In Britain the Budget debate was between the government and the City of London; local politics ended when Mrs Thatcher substituted what Friedrich Engels saw as an essential constituent of a future communist state – "the replacement of the government of persons by the administration of things." The British cannot vote for higher local taxes any more because the government has banned them.

Non-politics are reflected in an insight that provides another dimension to Ms Ockrent's aperçu. When he gave up his job as "peace envoy" in the former Yugoslavia last year, Lord Carrington was accused by a radio interviewer of having pursued wrong policies. "They were the right policies," replied the noble lord, "It was just that they didn't work." That was a truly non-political answer and it provides a key to many riddles.

The idea that the right policies may not work is not absurd. Imagine a television interview today about the "failure" of the policies outlined in the Sermon on the Mount. "But excuse me, didn't you give a pledge to the meek that they would inherit the earth?" The right reply would be, more or less, the same as that of Lord Carrington, with, perhaps, the addition of the words "But only time will tell."

This is much better than the political answer – "You have to realise that at the time we had no idea that unrighteousness would continue so long; it is today a universal problem. And let me say that in the last 2,000 years we have done far more for the meek than the other parties managed in the 3,000 years before that."

It was a sign of the times that an electoral earthquake took place last week and it hardly mattered. The papers wrote about the end of an era. No-one, not even the victors, spoke of a new one opening.

■ *James Morgan is economics correspondent of the BBC World Service.*

Ten good ideas

Michael Thompson-Noel

A NEW London-based think-tank named Demos opened for business this week. I wish it well, for we are in need of fresh thinking and radical solutions if we are to escape the malodorousness and apathy that now blanket the northern hemisphere.

(Things are far more cheerful in the southern hemisphere. I was there a short while ago – Bali, as it happens. They are all extremely well and happy in the southern hemisphere, working like the clappers, reaching for *prosperity*, sipping coconut and mango juice, doing a spot of wood-carving, selling rubbish to the tourists, making *babies* by the billion and generally canoodling and carrying on while we north of the equator slip deeper into stupor and depression).

In particular, I hope that the mega-brains at Demos take a razor to the tottery institutions that are still clinging to power in places such as Britain, even as the millennium rushes towards us.

Some weeks ago there was an article in *The Times* in which some old dodderer, some dangerously complacent relic, claimed that the only thing wrong with Britain was the recession; that it would be a blunder to tinker with the institutions – Parliament, the law, the monarchy, what have you – that had served us so well for hundreds of years.

HAWKS & HANDSAWS

He couldn't have been more wrong, for what this interminable recession has done – I suppose we should be grateful – is expose the decaying hulk of poor old Britain to phosphorescent scrutiny. And what have we discovered? We have discovered that our institutions are riddled with the pox. That our ruling class has rabies. That our industry has evaporated. That Europe can't stand us and that the US now distrusts us.

We need big ideas fast. Here are 10 improvements that the mega-brains at Demos may care to toy with:

1) Despatch the whole of John Major's cabinet, and most of the shadow cabinet, to one of the world's quiet places. If the electorate in all its thickness won't turf the government out, firm steps must be taken. Bhutan springs to mind. There is a shop in Bhutan called Dolly Tshongkhang Shop No 15 which (I have spoken to the proprietor) would happily employ most of these displacees, except John Smith. Bhutan will not touch him, so he can go to Paraguay. As the late Nicholas Ridley said shortly before his death, any half-way competent leader of the opposition should have winkled John Major out of Downing Street long before now. The only minister we will keep is Norman "Hercules" Lamont, the one man in the cabinet who – by taking the flak for John Major's policies – deserves some respect.

2) Sack the House of Lords and abolish all titles.

3) Reduce the House of Commons to 250 MPs, none of them older than 40, and treble their salaries.

4) Introduce proportional representation and hold regular referenda, starting with Maastricht. The fiasco of Britain's attempt to ratify the Maastricht treaty shows how debauched our system and our politics have become.

5) Withdraw the vote from 80 per cent of the electorate. In future, the right to vote will be determined by a sophisticated equation related to property ownership, educational attainment and personableness. When I voted in the UK election last April I was horrified at the people trooping in and out of the polling station. They should never have been there. Just look at the result.

6) Sack the judiciary and most of the police, and fine all lawyers two years' salary. God, how we hate them. Ditto accountants.

7) Fine Queen Elizabeth II £10m every time one of her racehorses finishes outside the first three. She is supposed to be an expert on bloodlines, but her horses are famously dim and slow. This should prove a far swifter method for dismantling the House of Windsor than siphoning off dribs and drabs in income tax.

8) Slap a VAT of 700 per cent on all tabloid newspapers. That way, the neanderthal working class will be encouraged to start reading a better class of newspaper instead of wallowing in the smuttiness and jingoism that are sapping their lifeforce. As a corollary, ban Rupert Murdoch from setting foot in Britain and bust up his empire.

9) Sack Brian Clough as manager of Nottingham Forest. He has become a wretchedly stupid man.

10) Burn the place down; we need to start again.